LEGISLATIVE AUDIT DIVISION

Tori Hunthausen, Legislative Auditor
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Deputy Legislative Auditors:
James Gillett
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INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying Statement of Fiduciary Net Assets – Pension Trust Funds of the Public Employees' Retirement Board, a component unit of the state of Montana, as of June 30, 2008, and the related Statement of Changes in Fiduciary Net Assets – Pension Trust Funds for the year ended June 30, 2008. These financial statements are the responsibility of the Public Employees' Retirement Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Public Employees' Retirement Board as of June 30, 2008, and the changes in fiduciary net assets for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis, the Schedule of Funding Progress, the Schedule of Funding Progress for OPEB, and the Schedule of Employer Contributions & Other Contributing Entities are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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The Legislative Audit Committee
of the Montana State Legislature:

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Public Employees' Retirement Board. The Schedules of Administrative Expenses, Investment Expenses, and Consultants; the Detail of Fiduciary Net Assets (PERS-DBRP and PERS-DBEd) and the Detail of Fiduciary Net Assets (PERS-DCRP, PERS-DCEd and PERS-DC Disability) as of June 30, 2008; and the related Detail of Changes in Fiduciary Net Assets (PERS-DBRP and PERS-DBEd) and the Detail of Changes in Fiduciary Net Assets (PERS-DCRP, PERS-DCEd and PERS-DC Disability) for the fiscal year then ended are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Introductory Section, Investment Section, Actuarial Section, and Statistical Section listed in the foregoing table of contents are presented for the purpose of additional analysis and are not a required part of the financial statements. Such additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Respectfully submitted,

/s/ James Gillett

James Gillett, CPA
Deputy Legislative Auditor

November 21, 2008

Public Employees' Retirement Board

A Component Unit of the State of Montana

Management's Discussion and Analysis

This section presents management's discussion and analysis of the Montana Public Employees' Retirement Board's (PERB) financial presentation and performance of the plans administered by the PERB for the year ending June 30, 2008. It is presented as a narrative overview and analysis and should be read in conjunction with the Letter of Transmittal included in the Introductory Section, the financial statements and other information which are presented in the Financial Section of this Component Unit Financial Report.

Financial Highlights

- *The PERB's combined total net assets of the defined benefit plans decreased by $285.3 million or 5.7 percent in fiscal year 2008. The decrease was primarily due to the negative investment income in each of the plans.*

- *The PERB's defined contribution plans combined total net assets increased by $11.5 million or 3.5 percent in fiscal year 2008. The total increase in net assets was due to increased membership and contributions in both the PERS defined contribution and the deferred compensation plans.*

- *Revenues (additions to plan net assets) for the PERB's defined benefit plans for fiscal year 2008 was ($34.4) million, which includes member and employer contributions of $205.1 million and a net investment loss of $239.5 million.*

- *Revenues (additions to plan net assets) for the PERB's defined contribution plans for fiscal year 2008 was $28.8 million, which includes member and employer contributions of $28.5 million and net investment income of $299 thousand.*

- *Expenses (deductions to plan net assets) for the PERB's defined benefit plans increased from $230.4 million in fiscal year 2007 to $250.9 million in fiscal year 2008 or about 8.9 percent. The increase in 2008 is primarily due to an increase in total benefit recipients.*

- *Expenses (deductions to plan net assets) for the PERB's defined contribution plans decreased from $18.9 million in fiscal year 2007 to $17.3 million in fiscal year 2008 or about negative 8.0 percent. The decrease in expenses is due to a decrease in distributions and the absence of the Intercap loan payment.*

- *The PERB's defined benefit plans' funding objectives are to meet long-term benefit obligations. As of June 30, 2008, the date of the latest actuarial valuation, all defined benefit plans are able to pay off any Unfunded Actuarial Liability within 30 years. As a whole the plans were actuarially funded at an average of 88 percent. It is important to understand this measure reflects the actuarial value of the defined benefit plans' net assets, which are currently more than the actual fair value published in the financial statements. Investment earnings are critical to the defined benefit plans. The actuary uses a four-year smoothing method for determining the Actuarial Value of Assets. This method is used to dampen the impact of the drastic ups* *and downs of the market. It is important to note that the losses experienced in the 2007-2008 plan year, to be reflected in future years, exceed the gains yet to be reflected.*

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the PERB's financial reporting which is comprised of the following components:

(1) Financial Statements
(2) Notes to the Financial Statements
(3) Required Supplementary Information

Collectively, this information presents the combined net assets held in trust for pension benefits for each of the plans administered by the PERB as of June 30, 2008. This financial information also summarizes the combined changes in net assets held in trust for pension benefits for the year then ended. The information in each of these components is briefly summarized as follows:

(1) Financial Statements for the fiscal year ended June 30, 2008, are presented for the fiduciary funds administered by the PERB. Fiduciary funds are used to account for resources held for the benefit of parties outside of the PERB. The fiduciary funds are held for participants in eight defined benefit plans and two defined contribution plans.

- The Statement of Fiduciary Net Assets is presented for the pension trust funds at June 30, 2008. These financial statements reflect the resources available to pay benefits to retirees and beneficiaries, at the end of the year reported.
- The Statement of Changes in Fiduciary Net Assets is presented for the pension trust funds for the year ended June 30, 2008. These financial statements reflect the changes in the resources available to pay benefits to retirees and beneficiaries at the end of the year reported.

(2) The Notes to the Financial Statements provide additional information that is essential for a full understanding of the data provided in the financial statements. The information in the Notes to the Financial Statements is described as follows:

- Note A provides a summary of significant accounting policies, including the basis of accounting, capital assets and equipment used in operations, operating lease, GASB 50 Disclosures, GASB 45 Disclosures, summaries of investment vendors and other significant accounting policies or explanations.
- Note B provides information about litigation.
- Note C describes the plans' membership and descriptions of the plans administered by the PERB. Summaries of benefits and contribution information are also provided.

(3) The required supplementary information consists of the schedules of funding progress and required contributions and related notes concerning actuarial information of the defined benefit pension plans administered by the PERB.

Financial Analysis of the Systems – Defined Benefit Plans

Investments

The State of Montana Board of Investments (BOI), as authorized by state law, invests the defined benefit plans' assets in investment pools. Each plan owns an equity position in the pools and receives proportionate investment income from the pool in accordance with respective ownership. The investment pools are: Montana Short Term Investment Pool, Montana Domestic Equity Pool, Retirement Fund Bond Pool, Montana International Equity Pool, Montana Real Estate Pool and Montana Private Equity Pool. Each plan's allocated share of the investment in the pools is shown in the Statement of Fiduciary Net Assets of the plan. Investment gains and losses are reported in the Statement of Changes in Fiduciary Net Assets.

ECONOMIC CONDITION

The most recent fiscal year was a difficult period for capital market performance, and a dramatic contrast to fiscal year 2007. The fiscal year began with the disruption in the credit markets in July 2007, the root cause of which was the deterioration in residential mortgage finance. The equity markets became much more volatile and dropped initially, only to rally back to new highs in October 2007. The stock market declined from there as a full blown credit crunch evolved over the following months and concerns grew about the overall growth of the economy.

The PERB investment portfolio posted a total return of a negative 4.86 percent for the fiscal year ended June 30, 2008. The negative return pulled down longer term returns that had been steadily improving since the equity bear market of 2000-2002. The past five year fiscal period annualized return is now 8.47 percent and the ten year return is 5.47 percent. While this setback eroded the plan's comparison to the actuarial return assumption, the annualized return since fiscal 1995 (14 years) is 8.47 percent, which compares favorably to the 8.0 percent actuarial assumption.

Since fiscal year end, the stock market returns have gone up and down and the future is uncertain. Despite this turmoil and uncertainty, the defined benefit retirement plans administered by the PERB remain secure.

The defined benefit plans have a current or future benefit defined by statute, not by the market and its fluctuations. The benefit is guaranteed for every current MPERA defined benefit retirement plan member, retiree and beneficiary. The guarantee comes from the State of Montana and is backed by the assets within the plans' individual trust funds. Even though there are years when the trust funds suffer at the hands of the market, the investment portfolio strategy is designed for the long term.

Defined Benefit Plans Total Investments

At June 30, 2008, the PERB's defined benefit plans held total investments of $4.6 billion, a decrease of $205 million from fiscal year 2007 investment totals. On the next page are the schedules of Net Assets and Changes in Net Assets for the defined benefit plans including comparative totals from fiscal year 2007.

Analysis of Individual Systems

PERS-DBRP and Education

The PERS-DBRP provides retirement,

disability and death benefits for covered employees of the State, local governments and certain employees of the university systems and school districts. Member and employer contributions and earnings on investments fund the benefits of the plan. The PERS-DBRP and the Education Fund have been combined in these comparisons. The PERS-DBRP net assets held in trust for benefits at June 30, 2008 amounted to $3.9 billion, a decrease of $249 million (6.1 percent) from $4.1 billion at June 30, 2007.

Additions to the PERS-DBRP net assets held in trust for benefits include employer, member and state contributions and investment income. For the fiscal year ended June 30, contributions increased to $145.5 million in fiscal year 2008 from $136.8 million in fiscal year 2007, an increase of $8.7 million (6.4

Fiduciary Net Assets - Defined Benefit Plans

As of June 30, 2008 *- and comparative totals for June 30, 2007*

(dollars in thousands)

	PERS		JRS		HPORS		SRS	
	2008	2007	2008	2007	2008	2007	2008	2007
Assets:								
Cash and Receivables	55,627	122,070	1,114	1,899	1,313	2,993	4,069	6,234
Securities Lending Collateral	234,521	202,100	3,610	3,070	5,915	5,113	11,583	9,737
Investments	3,799,302	3,982,097	57,692	60,036	94,986	99,833	184,861	190,690
Property and Equipment	1							
Intangible Assets	281	213	3	2	3	2	4	3
Total Assets	4,089,732	4,306,480	62,419	65,007	102,217	107,941	200,517	206,664
Liabilities:								
Securities Lending Collateral	234,521	202,100	3,610	3,070	5,915	5,113	11,583	9,737
Other Payables	1,035	943	7	7	27	27	95	81
Total Liabilities	235,556	203,043	3,617	3,077	5,942	5,140	11,678	9,818
Total Net Assets	3,854,176	4,103,437	58,802	61,930	96,275	102,801	188,839	196,846

Changes In Fiduciary Net Assets - Defined Benefit Plans

For the year ended June 30, 2008 *- and comparative totals for June 30, 2007*

(dollars in thousands)

	PERS		JRS		HPORS		SRS	
	2008	2007	2008	2007	2008	2007	2008	2007
Additions:								
Contributions	145,521	136,791	1,700	1,588	5,320	4,924	9,647	9,307
Investment Income (Loss)	(197,030)	629,559	(2,991)	9,435	(4,929)	15,875	(9,598)	29,732
Total Additions	(51,509)	766,350	(1,291)	11,023	391	20,799	49	39,039
Deductions:								
Benefits	180,815	166,188	1,829	1,772	6,814	6,460	7,243	6,770
Refunds	12,783	13,556			75	278	733	1,015
OPEB Expenses	72				1		2	
Administrative Expenses	2,760	2,681	8	8	27	28	78	77
Miscellaneous Expenses	1,326	1,420						
Total Deductions	197,756	183,845	1,837	1,780	6,917	6,766	8,056	7,862
Incr/(Decr) in Net Assets	(249,265)	582,505	(3,128)	9,243	(6,526)	14,033	(8,007)	31,177
Prior Period Adjustments	5	(51)						

percent). Contributions increased due to the employer rate increase on July 1, 2007 and an increase in active members. The plan had a net investment loss of $197 million for the fiscal year ended June 30, 2008 compared with net investment income of $629.6 million for the fiscal year ended June 30, 2007. The decrease in investment income is a result of negative investment returns due to the volatility of the stock market.

Deductions from the PERS-DBRP net assets held in trust for benefits primarily include retirement benefits, refunds and administrative expenses. For fiscal year 2008, benefits amounted to $180.8 million, an increase of $14.6 million (8.8 percent) from fiscal year 2007. The increase in benefit payments was due to the increase in benefit recipients and the increase in the average recipient's benefit due to the guaranteed annual benefit adjust-

GWPORS		MPORS		FURS		VFCA		TOTAL	
2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
1,951	2,692	10,132	13,605	11,699	12,916	1,470	2,254	87,375	164,663
4,497	3,619	11,785	10,097	11,404	9,607	1,581	1,302	284,896	244,645
71,364	70,659	190,505	197,708	183,164	188,022	24,588	25,298	4,606,462	4,814,343
								1	
3	3	3	2	3	2	2	2	302	229
77,815	76,973	212,425	221,412	206,270	210,547	27,641	28,856	4,979,036	5,223,880
4,497	3,619	11,785	10,097	11,404	9,607	1,581	1,302	284,896	244,645
70	48	156	72	59	61	45	49	1,494	1,288
4,567	3,667	11,941	10,169	11,463	9,668	1,626	1,351	286,390	245,933
73,248	73,306	200,484	211,243	194,807	200,879	26,015	27,505	4,692,646	4,977,947

GWPORS		MPORS		FURS		VFCA		TOTAL	
2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
6,591	5,837	17,581	15,669	17,187	14,096	1,562	1,661	205,109	189,873
(3,653)	10,838	(10,262)	31,080	(9,733)	29,577	(1,275)	4,103	(239,471)	760,199
2,938	16,675	7,319	46,749	7,454	43,673	287	5,764	(34,362)	950,072
2,271	2,085	13,707	12,692	13,353	11,851	1,717	1,637	227,749	209,455
672	702	4,293	717	116	241			18,672	16,509
1		2		1		1		80	
51	47	76	70	56	56	45	50	3,101	3,017
						14	13	1,340	1,433
2,995	2,834	18,078	13,479	13,526	12,148	1,777	1,700	250,942	230,414
(57)	13,841	(10,759)	33,270	(6,072)	31,525	(1,490)	4,064	(285,304)	719,658
								5	(51)

ment (GABA). For fiscal year 2008, refunds amounted to $12.8 million, a decrease of $773 thousand (5.7 percent) from fiscal year 2007. The decrease in refunds was due to fewer refunds being processed and the required automatic distribution being lowered from $5,000 to $1,000. For fiscal year 2008, the costs of administering the plan's benefits amounted to $2.8 million, an increase of $79 thousand (3.0 percent) from fiscal year 2007. The increase in administrative expenses for the fiscal year 2008 was due to computer processing costs.

An actuarial valuation of the PERS-DBRP assets and benefit obligations is performed annually. At June 30, 2008, the date of the most recent actuarial valuation, the funded status of the plan decreased to 90 percent from 91 percent at June 30, 2007.

The PERS-DBRP actuarial value of assets is less than actuarial liabilities by $439.4 million at June 30, 2008, compared with $376.0 million at June 30, 2007. The increase in the unfunded actuarial liability as of the last actuarial valuation is a result of investment losses of $14.2 million, liability loss of $27.6 million where salaries were greater than expected, $6.6 million liability loss due to new participant's average hire age being greater than the current participant's hire age and $12.8 million in other liability losses greater than the actuarial assumptions.

JRS

The JRS provides retirement, disability and death benefits for all Montana judges of the district courts, justices of the Supreme Court and the Chief Water Judge. Member and employer contributions and earnings on investments fund the benefits of the plan. The JRS net assets held in trust for benefits at June 30, 2008 amounted to $58.8 million, a decrease of $3.1 million (5.1 percent) from $61.9 million at June 30, 2007.

Additions to the JRS net assets held in trust for benefits include member and employer contributions and investment income. For the fiscal year ended June 30, 2008, contributions amounted to $1.7 million, an increase of $112 thousand (7.0 percent) from fiscal year 2007. Contributions increased due to increased salaries. The plan recognized a net investment loss of $3.0 million for the fiscal year ended June 30, 2008 compared with net investment income of $9.4 million for the fiscal year ended June 30, 2007. The decrease in investment income is a result of negative investment returns due to the volatility of the stock market.

Deductions from the JRS net assets held in trust for benefits mainly include retirement benefits and administrative expenses. For fiscal year 2008, benefits amounted to $1.8 million, an increase of $56.7 thousand (3.2 percent) from fiscal year 2007. The increase in benefits was due to an increase in the average recipient's benefit. For fiscal year 2008, administrative expenses amounted to $8 thousand, an increase of $444 (5.5 percent) from fiscal year 2007.

An actuarial valuation of the JRS assets and benefit obligations is performed annually. At June 30, 2008, the date of the most recent actuarial valuation, the funded status of the plan remained stable at 157 percent. The JRS actuarial assets were more than actuarial liabilities by $22.6 million at June 30, 2008, compared with a $20.9 million actuarial surplus at June 30, 2007. The slight increase in the actuarial surplus as of the last actuarial valuation is due to investment losses of $227 thousand, a liability loss of $157 thousand where salaries were greater than expected and a $154 thousand loss from other sources greater than the actuarial assumptions.

HPORS

The HPORS provides retirement, disability and death benefits for members of the Montana Highway Patrol. Member and employer contributions, registration fees and earnings on investments fund the benefits of the plan. The HPORS net assets held in trust for benefits at June 30, 2008 amounted to $96.3 million, a decrease of $6.5 million (6.3 percent) from $102.8 million at June 30, 2007.

Additions to the HPORS net assets held in trust for benefits include employer and member contributions, registration fees and investment income. For the fiscal year ended June 30, contributions increased to $5.3 million in fiscal year 2008 from $4.9 million in fiscal year 2007, an increase of $396 thousand (8.0 percent). Contributions increased due to an increase in the number of participating members and an increase in average annual salary. The plan recognized a net investment loss of $4.9 million for the fiscal year ended June 30, 2008, compared with net investment income of $15.9 million for the fiscal year ended June 30, 2007. The decrease in investment income is a result of negative investment returns due to the volatility of the stock market.

Deductions from the HPORS net assets held in trust for benefits mainly include retirement benefits, refunds and administrative expenses. For fiscal year 2008, benefits amounted to $6.8 million, an increase of $353.6 thousand (5.5 percent) from fiscal year 2007. The increase in benefit payments was due to the increase in benefit recipients and increases in the average recipient's benefit due to the guaranteed annual benefit adjustment (GABA). For fiscal year 2008 refunds amounted to $75 thousand, a decrease of $203 thousand (72.9 percent) from fiscal year 2007. The decrease in refunds was due to fewer refunds being processed and the required automatic distribution being lowered from $5,000 to $1,000. For fiscal year 2008, administrative expenses were $27 thousand, a decrease of $1 thousand (3.6 percent) from fiscal year 2007. The slight decrease in administrative expenses is due to decreased allocation of administrative costs.

An actuarial valuation of the HPORS assets and benefit obligations is performed annually. At June 30, 2008, the date of the most recent actuarial valuation, the funded status of the plan remained stable at 75 percent. The HPORS actuarial assets were less than actuarial liabilities by $33.2 million at June 30, 2008, compared with $32.5 million at June 30, 2007. The slight increase in the unfunded actuarial liability as of the last actuarial valuation is a result of investment losses of $287 thousand, a liability loss of $473 thousand where salaries were greater than expected, a $348 thousand loss due to new participant's average hire age being greater than the current participant's hire age and $111 thousand in other losses greater than the actuarial assumptions.

SRS

The SRS provides retirement, disability and death benefits for all Department of Justice criminal investigators hired after July 1, 1993, detention officers and all Montana sheriffs. Member and employer contributions and earnings on investments fund the benefits of the plan. The SRS net assets held in trust for benefits at June 30, 2008 amounted to $188.8 million, a decrease of $8.0 million (4.1 percent) from $196.8 million at June 30, 2007.

Additions to the SRS net assets held in trust for benefits include member and employer contributions and investment income. For the fiscal year ended June 30, contributions increased to $9.6 million in fiscal year 2008 from $9.3 million in fiscal year 2007, for an increase of $340.0 thousand (3.7 percent). Contributions increased due to an increase in the total compensation reported for active members and the increase in the employer contribution rate. There was also an increase as a result of an increased number of participating members contributing to the plan in accordance with section 19-7-301 (3) (b), MCA. This section allowed detention officers hired before July 1, 2005 to elect to participate in SRS and requires all new detention officers on or after July 1, 2005 to join SRS. The plan recognized a net investment loss of $9.6 million for the fiscal year ended June 30, 2008 compared with net investment income of $29.7 million for the fiscal year ended June 30, 2007. The decrease in investment income is a result of negative investment returns due to the volatility of the stock market.

Deductions from the SRS net assets held in trust for benefits mainly include retirement benefits, refunds and administrative expenses. For fiscal year 2008, benefits amounted to $7.2 million, an increase of $472.8 thousand (7.0 percent) from fiscal year 2007. The increase in benefit payments was due to an increase in benefit recipients and an increase in the average recipient's benefit due to the guaranteed annual benefit adjustment (GABA). For fiscal year 2008, refunds amounted to $733 thousand, a decrease of $282 thousand (27.7 percent) from fiscal year 2007. The decrease in refunds was due to fewer refunds being processed and the required automatic distribution being lowered from $5,000 to $1,000. For fiscal year 2008, administrative expenses increased $772 (1.0 percent) from fiscal year 2007. The slight increase is due to increased allocation of administrative costs as a result of the change in membership.

An actuarial valuation of the SRS assets and benefit obligations is performed annually. At June 30, 2008, the date of the most recent actuarial valuation, the funded status of the plan increased to 98 percent from 97 percent at June 30, 2007. The SRS actuarial assets were less than actuarial liabilities by $5.09 million at June 30, 2008, compared with $5.14 million at June 30, 2007. The decrease in the actuarial liability as of the last actuarial valuation is a result of investment losses of $891 thousand, a liability gain of $595 thousand due to salaries less than expected, a liability loss of $502 thousand due to new participant's average hire age being greater than the current participant's hire age and $416 thousand in other gains.

GWPORS

The GWPORS provides retirement, disability and death benefits for game wardens, warden supervisory personnel and state peace officers. Member and employer contributions and earnings on investments fund the benefits of the plan. The GWPORS net assets held in trust for benefits at June 30, 2008 amounted to $73.2 million, a decrease of $58 thousand (0.1 percent) from $73.3 million at June 30, 2007.

Additions to the GWPORS net assets held in trust for benefits include member and employer contributions and investment income. For the fiscal year ended June 30, contributions increased to $6.6 million in fiscal year 2008 from $5.8 million in fiscal year 2007, for an increase of $754 thousand (12.9 percent). Contributions increased due to an increased number of participating members and an increase in the average annual salary. The plan recognized a net investment loss of $3.7 million for the fiscal year ended June 30, 2008 compared with net investment income of $10.8 million for the fiscal year ended June 30, 2007. The decrease in investment income is a result of negative investment returns due to the volatility of the stock market.

Deductions from the GWPORS net assets held in trust for benefits mainly include retirement benefits, refunds and administrative expenses. For fiscal year 2008, benefits amounted to $2.3 million, an increase of $186 thousand (8.9 percent) from fiscal year 2007. The increase in benefit payments was due to the increase in benefit recipients and the increase in the average recipient's benefit due to the guaranteed annual benefit adjustment (GABA). For fiscal year 2008, refunds amounted to $672 thousand, a decrease of $30 thousand (4.2 percent) from fiscal year 2007. The decrease in refunds was due to fewer refunds being processed and the required automatic distribution being lowered from $5,000 to $1,000. For fiscal year 2008, administrative expenses amounted to $51.0 thousand, an increase of $3.9 thousand (8.4 percent) from fiscal year 2007. The slight increase in administrative expenses was due to the allocations associated with the increased number of members.

An actuarial valuation of the GWPORS assets and benefit obligations is performed annually. At June 30, 2008, the date of the most recent actuarial valuation, the funded status of the plan decreased to 93 percent from 94 percent at June 30, 2007. The GWPORS actuarial assets were less than actuarial liabilities by $5.9 million at June 30, 2008, compared with $4.2 million at June 30, 2007. The increase in unfunded actuarial liability as of the last actuarial valuation is a result of investment losses of $539 thousand, a liability loss of $1.1 million due to salaries were greater than expected, a loss of $557 thousand due to new participant's average hire age being greater than the current participant's hire age and $399 thousand in other losses greater than the actuarial assumptions.

MPORS

The MPORS provides retirement, disability and death benefits for municipal police officers employed by first- and second-class cities and other cities that adopt the plan. MPORS also has an option for members to participate in a Deferred Retirement Option Plan (DROP). Member, employer and state contributions and earnings on investments fund the benefits of the plan. The MPORS net assets held in trust for benefits at June 30, 2008 amounted to $200.5 million, a decrease of $10.8 million (5.1 percent) from $211.2 million at June 30, 2007.

Additions to the MPORS net assets held in trust for benefits include employer, member, and state contributions and investment income. For the fiscal year ended June 30, contributions increased to $17.6 million in fiscal year 2008 from $15.7 million in fiscal year 2007, for an increase of $1.9 million (12.2 percent). Contributions increased because the total compensation reported for active members increased and membership increased due to new city employers participating in the retirement system. The plan recognized a net investment loss of $10.3 million for the fiscal year ended June 30, 2008 compared with net investment income of $31.1 million for fiscal year ended June 30, 2007. The decrease in investment income is a result of negative investment returns due to the volatility of the stock market.

Deductions from the MPORS net assets held in trust for benefits mainly include retirement benefits, refunds and administrative expenses. For fiscal year 2008, benefits amounted to $13.7 million, an increase of $1.0 million (8.0 percent) from fiscal year 2007. The increase in benefit payments was due to the increase in benefit recipients and the increase in the average recipient's benefit due to the guaranteed annual benefit adjustment (GABA). For fiscal year 2008, refunds amounted to $4.3 million, an increase of $3.6 million (498.8 percent) from fiscal year 2007. The increase in refunds was due to more refunds and very large DROP refunds. For fiscal year 2008, administrative expenses were $76 thousand, an increase of $5.9 thousand (8.4 percent) from fiscal year 2007. The increase in administrative expenses in fiscal year 2008 is due to the allocations associated with the increased number of members and specific work performed that was attributed directly to the plan.

An actuarial valuation of the MPORS assets and benefit obligations is performed annually. At June 30, 2008, the date of the most recent actuarial valuation, the funded status of the plan increased to 65 percent from 64 percent at June 30, 2007. The MPORS actuarial assets were less than actuarial liabilities by $115.2 million at June 30, 2008, compared with $112.1 million at June 30, 2007. The increase in the actuarial liability as of the last actuarial valuation is a result of investment losses of $1.4 million, a liability of loss of $2.1 million due to salaries were greater than expected, a loss of $1.3 million due to new participant's average hire age being greater than the current participant's hire age and $369 thousand of other gains greater than the actuarial assumptions.

FURS

The FURS provides retirement, disability and death benefits for firefighters employed by first- and second-class cities, other cities and rural fire departments that adopt the plan, and firefighters hired by the Montana Air National Guard (MANG) on or after October 1, 2001. Member, employer, and state contributions and earnings on investments fund the benefits of the plan. The FURS net assets held in trust for benefits at June 30, 2008 amounted to $194.8 million, a decrease of $6.1 million (3.0 percent) from $200.9 million at June 30, 2007.

Additions to the FURS net assets held in trust for benefits include employer, member, and state contributions and investment income. For the fiscal year ended June 30, contributions increased to $17.2 million in fiscal year 2008 from $14.1 million in fiscal year 2007, an increase of $3.1 million (21.9 percent). Contributions increased because the number of members and new employers contributing to the plan increased and the total compensation reported for active members increased. The plan recognized a net investment loss of $9.7 million for the fiscal year ended June 30, 2008 compared with net investment income of $29.6 million for the fiscal year ended June 30, 2007. The decrease in investment income is a result of negative investment returns due to the volatility of the stock market.

Deductions from the FURS net assets held in trust for benefits mainly include retirement benefits, refunds and administrative expenses. For fiscal year 2008, benefits amounted to $13.4 million, an increase of $1.5 million (12.7 percent) from fiscal year 2007. The increase in benefit payments was due to the increase in benefit recipients and the increase in the average recipient's benefit due to the guaranteed annual benefit adjustment (GABA). For fiscal year 2008, refunds amounted to $116 thousand, a decrease of $125 thousand (51.7 percent) from fiscal year 2007. The decrease in refunds was due to fewer refunds being processed and the required automatic distribution being lowered from $5,000 to $1,000. For fiscal year 2008, administrative expenses were $56 thousand, a decrease of $395 (0.7 percent). The slight decrease was due to the decreased allocation of administrative costs.

An actuarial valuation of the FURS assets and benefit obligations is performed annually. At June 30, 2008, the date of the most recent actuarial valuation, the funded status of the plan increased to 72 percent from 70 percent at June 30, 2007. The FURS actuarial assets were less than actuarial liabilities by $81.1 million at June 30, 2008, compared with $80.9 million at June 30, 2007. The slight increase in unfunded actuarial liability as of the last actuarial valuation is a result of investment losses of $1.4 million, a liability loss of $361 thousand due to salaries were greater than expected, a loss of $880 thousand due to new participant's average hire age being greater than the current participant's hire age, a loss of $462 thousand due to the addition of new employers Lockwood Rural and Missoula Rural and $1.9 million in other losses greater than the actuarial assumptions.

VFCA

The VFCA provides retirement, disability and death benefits for volunteer firefighters who are members of eligible volunteer fire companies in unincorporated areas. State contributions and earnings on investments fund the benefits of the plan. The VFCA net assets held in trust for benefits at June 30, 2008 amounted to $26.0 million, a decrease of $1.5 million (5.4 percent) from $27.5 million at June 30, 2007.

Additions to the VFCA net assets held in trust for benefits include state contributions and investment income. For the fiscal year ended June 30, contributions decreased to $1.56 million in fiscal year 2008 from $1.66 million in fiscal year 2007, a decrease of $99 thousand (6.0 percent). Contributions decreased because there was a decrease in the fire insurance premium taxes distributed to the VFCA. The plan recognized a net investment loss of $1.3 million for the fiscal year ended June 30, 2008 compared with net investment income of $4.1 million for the fiscal year ended June 30, 2007. The decrease in investment income is a result of negative investment returns due to the volatility of the stock market.

Deductions from the VFCA net assets held in trust for benefits include retirement benefits, administrative expenses and supplemental insurance payments. For fiscal year 2008, benefits amounted to $1.7 million, an increase of $80 thousand (4.9 percent) from fiscal year 2007. For fiscal year 2008, administrative expenses amounted to $45 thousand, a decrease of $5 thousand (10.1 percent) from fiscal year 2007. The decrease in administrative expenses was due to the clean-up of the volunteer firefighter membership database resulting in better allocation of costs. For fiscal year 2008, supplemental insurance payments amounted to $14.0 thousand, an increase of $1,125 from fiscal year 2007.

An actuarial valuation of the VFCA assets and benefit obligations is performed annually. At June 30, 2008, the date of the most recent actuarial valuation, the funded status of the plan increased to 84 percent from 82 percent at June 30, 2007. The VFCA actuarial assets were less than actuarial liabilities by $5.2 million at June 30, 2008, compared with $5.7 million at June 30, 2007. The decrease in unfunded actuarial liability as of the last actuarial valuation is a result of investment losses of $212 thousand and a net liability gain of $1 thousand comprised of a loss of $521 thousand from new volunteers and a gain of $522 thousand due to other experiences different from the actuarial assumptions.

Actuarial Valuations and Funding Progress

An actuarial valuation of each of the PERB's defined benefit plans is performed annually. VFCA is the only plan that is not affected by section 19-2-405, MCA requiring an annual actuarial valuation instead of biennial valuations. At the date of the most recent actuarial valuation, June 30, 2008, the funded status of each of the plans is shown in the Schedule of Funding Progress on pages 74 and 75.

The PERB funding objective is to meet long-term benefit obligations through investment income and contributions. Accordingly, the collection of employer and member contributions and the income from investments provide the reserves needed to finance future retirement benefits. Since investment earnings are critical to the defined benefit plans' funding, market decline and investment losses deteriorate the plans' funding. Market losses were experienced in fiscal years 2001 through 2003 and fiscal year 2008. Positive returns were experienced in fiscal year 2004 through 2007. The funding status remained the same or increased for all defined benefit plans in the latest valuation, except in the PERS and GWPORS plans which decreased by one percent for both plans. Public pension plans are considered actuarially sound if the unfunded accrued actuarial liability amortization period is less than 30 years. Montana's constitution requires that public retirement plans be funded on an actuarially sound basis.

The PERB had been concerned with the funding of three of the eight defined benefit retirement plans administered due to the loss experienced in fiscal years 2001 through 2003. The three plans were the PERS-Defined Benefit Retirement Plan (PERS-DBRP), the Game Wardens' and Peace Officers' Retirement System (GWPORS) and the Sheriffs' Retirement System (SRS). In the 2007 Legislative Session, House Bill 131 addressed the funding of these three plans. House Bill 131, effective July 1, 2007, either increased employer contribution rates or decreased the guaranteed annual benefit adjustment (GABA) for new members or both. The last employer contribution increase for House Bill 131 occurs July 1, 2009. Based on the PERB's June 30, 2008 Actuarial Valuations the unfunded liability in these three plans will be amortized in less than 30 years.

Funding ratios range from a high of 157 percent (JRS) to a low of 65 percent (MPORS). The Schedule of Funding Progress on pages 74 and 75 shows the funding on June 30, 2008, June 30, 2007, June 30, 2006, June 30, 2005 and June 30, 2004. The table also shows the amount by which actuarial assets exceeded or fell short of actuarial liabilities. The actuary performs a smoothing of investment gains or losses over a period of four years. At June 30, 2008, the actuarial value of assets of all plans was more than the market value of assets by $260.7 million due to a negative 4.9 percent market return in fiscal year 2008. The current smoothing reserve has a negative balance which will gradually be reflected in the Actuarial Value of Assets in future valuations.

Defined Contribution Plans

The PERB administers two defined contribution plans: The Public Employees' Retirement System-Defined Contribution Retirement Plan (PERS-DCRP) and the Deferred Compensation (457) Plan. The schedules of Net Assets and Changes in Net Assets for the two defined contribution plans are on page 30.

PERS-DCRP

The PERS-DCRP is established under section 401(a) of the Internal Revenue Code. This plan provides retirement, disability and death benefits for plan members. This plan was available to all active PERS members effective July 1, 2002. All new hires to PERS have a 12-month window to file an irrevocable election to join the plan. The plan member and employer contributions and earnings on investments fund the benefits of the plan.

The plan net assets held in trust for benefits at June 30, 2008 amounted to $45.0 million, an increase of $3.0 million (7.0 percent) from $42.0 million at June 30, 2007.

Additions to the PERS-DCRP net assets held in trust for benefits include contributions and investment income. Contributions decreased $217 thousand (2.4 percent) from $9.1 million in fiscal year 2007 to $8.9 million in fiscal year 2008. The decrease in contributions is due to a decrease in payroll. The plan recognized a net investment loss of $3.0 million for fiscal year ended 2008, compared with net investment income of $5.4 million in fiscal year 2007. The decrease in investment income is a result of negative investment returns due to the volatility of the stock market.

Deductions from the PERS-DCRP net assets mainly include member distributions, administrative expenses and miscellaneous expenses. Distributions decreased from $2.6 million in fiscal year 2007 to $2.5 million in fiscal year 2008. The $113 thousand (4.3 percent) decrease in distributions from 2007 to 2008 was due to fewer defined contribution members and retirees taking a distribution. The costs of administering the plan decreased from $253 thousand in fiscal year 2007 to $246 thousand in fiscal year 2008, a decrease of $7 thousand (2.8 percent) from fiscal year 2007. The decrease in administrative costs was mostly due to vacancy savings. The miscellaneous expenses decreased from $282 thousand in fiscal year 2007 to $216 thousand in fiscal year 2008, a decrease of $66 thousand (23.3 percent) from fiscal year 2007. The decrease in miscellaneous expenses was due to the PERB's decision to reduce fees.

Deferred Compensation (457) Plan

The Deferred Compensation plan is established under section 457 of the Internal Revenue Code. This plan is a voluntary supplemental retirement savings plan for those who choose to participate. The Deferred Compensation plan is funded by contributions and by investment earnings. The plan's net assets held in trust for benefits at June 30, 2008 amounted to $297.4 million, an increase of $8.5 million (2.9 percent) from $288.9 million at June 30, 2007.

Additions to the Deferred Compensation plan net assets held in trust for benefits include contributions and investment income. For fiscal year 2008, contributions increased to $19.6 million from $18.1 million in fiscal year 2007, an increase of $1.5 million (8.5 percent). Contributions increased because of an increased number of members participating in the plan due to new employers joining the plan and an increase in deferrals. The plan recognized net investment income of $3.3 million for fiscal year 2008 compared with net investment income of $37.1 million for fiscal year 2007. The decreased investment income is a result of the volatility of the stock market.

Deductions from the Deferred Compensation plan net assets mainly include member and beneficiary distributions, administrative expenses and miscellaneous expenses. For fiscal year 2008, distributions amounted to $13.3 million, a decrease of $1.4 million (9.5 percent) from $14.7 million at June 30, 2007.

The costs of administering the plan increased from $225 thousand in fiscal year 2007 to $240 thousand in fiscal year 2008, an increase of $15 thousand (6.5 percent) from fiscal year 2007. The increase in administrative costs was due to more time being spent on development and maintenance of the 457 web payroll reporting. Miscellaneous expenses, the fees charged by the vendors to administer the plan, increased from $781 thousand in fiscal year 2007 to $813 thousand in fiscal year 2008, an increase of $32 thousand (4.1 percent) from fiscal year 2007. The increase in miscellaneous expenses was due to increased membership.

Fiduciary Net Assets - Defined Contribution Plans

***As of June 30, 2008** - and comparative totals for June 30, 2007*

(dollars in thousands)

	PERS-DCRP		457-PLAN		TOTAL	
	2008	2007	2008	2007	2008	2007
Assets:						
Cash and Receivables	2,220	1,597	657	477	2,877	2,074
Securities Lending Collateral	88		31		119	
Investments	42,939	40,420	296,968	288,538	339,907	328,958
Intangible Assets	4	3	14	56	18	59
Total Assets	45,251	42,020	297,670	289,071	342,921	331,091
Liabilities:						
Securities Lending Collateral	88		31		119	
Other Payables	223	32	230	182	453	214
Total Liabilities	311	32	261	182	572	214
Total Net Assets	44,940	41,988	297,409	288,889	342,349	330,877

Changes In Fiduciary Net Assets - Defined Contribution Plans

***For the year ended June 30, 2008** - and comparative totals for June 30, 2007*

(dollars in thousands)

	PERS-DCRP		457-PLAN		TOTAL	
	2008	2007	2008	2007	2008	2007
Additions:						
Contributions	8,927	9,144	19,593	18,063	28,520	27,207
Investment Income (Loss)	(2,988)	5,415	3,287	37,102	299	42,517
Total Additions	5,939	14,559	22,880	55,165	28,819	69,724
Deductions:						
Distributions	2,519	2,632	13,302	14,693	15,821	17,325
OPEB Expenses	7		5		12	
Administrative Expenses	246	253	240	225	486	478
Miscellaneous Expenses	216	282	813	781	1,029	1,063
Total Deductions	2,988	3,167	14,360	15,699	17,348	18,866
Incr/(Decr) in Net Assets	2,951	11,392	8,520	39,466	11,471	50,858
Prior Period Adjustments		(23)		1,197		1,174

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Public Employees' Retirement Board

A Component Unit of the State of Montana

Statement of Fiduciary Net Assets - Pension Trust Funds

as of June 30, 2008

	PERS-DBRP	JRS	HPORS	SRS	GWPORS	MPORS
Assets						
Cash and Short-term Investments	$ 44,519,789	971,216	1,078,295	3,407,637	1,773,090	92,092
Securities Lending Collateral (Note A6)	234,521,427	3,609,641	5,914,714	11,582,642	4,497,005	11,785,152
Receivables						
Interest	9,442,722	142,920	234,378	459,121	177,529	468,207
Accounts Receivable	1,247,094			202,732	348	119,484
Due from Other Funds	321,056					
Due from Primary Government	27,670					9,451,808
Notes Receivable	68,933					
Total Receivables	11,107,475	142,920	234,378	661,853	177,877	10,039,499
Investments, at fair value (Note A6)						
Montana Domestic Equity Pool (MDEP)	1,494,306,280	22,789,975	37,406,238	73,073,679	28,271,705	75,278,941
Retirement Fund Bond Pool (RFBP)	988,124,279	15,581,123	25,613,595	50,063,470	19,242,608	51,237,714
Montana International Pool (MTIP)	730,360,282	10,973,014	18,306,880	35,059,869	13,545,321	36,706,816
Montana Private Equity Pool (MPEP)	376,614,837	5,733,437	9,428,690	18,270,552	7,007,904	18,998,647
Montana Real Estate Pool (MTRP)	164,667,259	2,515,249	4,126,545	8,053,901	3,114,822	8,273,928
Real Estate Investments	8,931,057					
Mortgages & Commercial Loans						
net of Accumulated Mortgage Discount	31,837,233					
Structured Investment Vehicles (SIV)	4,460,631	99,480	104,349	339,772	181,298	8,741
Defined Contributions Fixed Investments						
Defined Contributions Variable Investments						
Deferred Compensation Life Insurance						
Total Investments	3,799,301,858	57,692,278	94,986,297	184,861,243	71,363,658	190,504,787
Capital Assets						
Property and Equipment, at cost,						
net of Accumulated Depreciation (Note A2)	513					
Intangible Assets, at cost,						
net of Amortization Expense (Note A2)	281,042	2,758	2,904	3,582	3,446	3,311
Total Capital Assets	281,555	2,758	2,904	3,582	3,446	3,311
Total Assets	4,089,732,104	62,418,813	102,216,588	200,516,957	77,815,076	212,424,841
Liabilities						
Securities Lending Collateral Liability	234,521,427	3,609,641	5,914,714	11,582,642	4,497,005	11,785,152
Accounts Payable	443,704	165	165	16,869	18,365	165
Due to Other Funds	160,712	7,102	25,590	76,152	49,309	65,123
Due to Primary Government	37,035					
Deferred Revenue	68,255		141	14	546	88,063
Compensated Absences	253,232					332
OPEB Implicit Rate Subsidy LT	71,660	124	643	2,079	1,429	1,830
Total Liabilities	235,556,025	3,617,032	5,941,253	11,677,756	4,566,654	11,940,665
Net Assets Held in Trust for Pension Benefits (see schedule of funding progress, page 72)	$ 3,854,176,079	58,801,781	96,275,335	188,839,201	73,248,422	200,484,176

The notes to the financial statements are an integral part of this statement.

Defined Benefit Pension Plans			Defined Contribution Plans			
		Total Defined Benefit			Total Defined Contribution	Total Pension Trust Funds
FURS	VFCA	Pension Plans	PERS-DCRP	457 Plan	Plans	2008
1,580,020	1,409,726	54,831,865	2,054,391	653,917	2,708,308	57,540,173
11,403,645	1,581,247	284,895,473	88,413	30,587	119,000	285,014,473
451,398	60,261	11,436,536	3,882	1,320	5,202	11,441,738
98,923		1,668,581	15	2,020	2,035	1,670,616
		321,056	162,040		162,040	483,096
9,568,388		19,047,866				19,047,866
		68,933				68,933
10,118,709	60,261	32,542,972	165,937	3,340	169,277	32,712,249
72,475,814	9,645,176	1,813,247,808				1,813,247,808
49,418,628	6,609,055	1,205,890,472				1,205,890,472
34,970,227	4,731,058	884,653,467				884,653,467
18,175,455	2,411,362	456,640,884				456,640,884
7,961,799	1,046,758	199,760,261				199,760,261
		8,931,057				8,931,057
		31,837,233				31,837,233
162,003	144,628	5,500,902	188,059	65,060	253,119	5,754,021
			3,128,370	181,739,616	184,867,986	184,867,986
			39,622,234	115,151,343	154,773,577	154,773,577
				12,316	12,316	12,316
183,163,926	24,588,037	4,606,462,084	42,938,663	296,968,335	339,906,998	4,946,369,082
		513				513
3,156	2,319	302,518	4,099	14,377	18,476	320,994
3,156	2,319	303,031	4,099	14,377	18,476	321,507
206,269,456	27,641,590	4,979,035,425	45,251,503	297,670,556	342,922,059	5,321,957,484
11,403,645	1,581,247	284,895,473	88,413	30,587	119,000	285,014,473
165		479,598	198,616	212,890	411,506	891,104
53,816	43,737	481,541	1,418	136	1,554	483,095
		37,035	1,540	484	2,024	39,059
3,758		160,777		894	894	161,671
		253,564	15,006	11,528	26,534	280,098
1,381	1,332	80,478	6,537	4,777	11,314	91,792
11,462,765	1,626,316	286,388,466	311,530	261,296	572,826	286,961,292
194,806,691	26,015,274	4,692,646,959	44,939,973	297,409,260	342,349,233	5,034,996,192

Public Employees' Retirement Board

A Component Unit of the State of Montana

Statement of Changes in Fiduciary Net Assets - Pension Trust Funds
for the year ended June 30, 2008

		PERS-DBRP	JRS	HPORS	SRS	GWPORS	MPORS
Additions							
Contributions (Note C)							
Employer	$	72,241,783	1,315,223	3,948,973	4,833,680	2,978,550	5,156,303
Plan Member		72,680,187	385,404	1,081,580	4,775,521	3,594,733	2,967,748
Membership Fees		108					
Interest Reserve Buyback		193,509		163	38,565	18,378	5,521
Retirement Incentive Program		27,709					
Miscellaneous Revenue		193					
State Contributions		377,713		289,515			9,451,808
Nonvested Member Forfeitures							
Total Contributions		145,521,202	1,700,627	5,320,231	9,647,766	6,591,661	17,581,380
Investments (Note A6)							
Net Appreciation (Depreciation)							
in Fair Value of Investments		(291,944,581)	(4,350,469)	(7,288,012)	(13,948,542)	(5,366,014)	(15,683,014)
Interest		97,273,735	1,391,287	2,415,304	4,444,757	1,751,581	5,523,999
Dividends		15,230,409	232,041	381,236	744,016	280,581	775,286
Investment Expense		(19,840,557)	(298,695)	(494,967)	(948,738)	(361,310)	(993,467)
Net Investment Income		(199,280,994)	(3,025,836)	(4,986,439)	(9,708,507)	(3,695,162)	(10,377,196)
Securities Lending Income							
Securities Lending Income		12,314,449	188,620	311,317	603,310	228,692	627,954
Securities Lending Rebate and Fees		(10,063,503)	(154,127)	(254,288)	(493,080)	(186,832)	(513,208)
Net Securities Lending Income		2,250,946	34,493	57,029	110,230	41,860	114,746
Total Net Investment Income		(197,030,048)	(2,991,343)	(4,929,410)	(9,598,277)	(3,653,302)	(10,262,450)
Total Additions		(51,508,846)	(1,290,716)	390,821	49,489	2,938,359	7,318,930
Deductions (Note C)							
Benefits		180,815,238	1,828,680	6,813,578	7,242,828	2,270,902	13,706,635
Refunds/Distributions		12,123,478	286	61,227	722,319	642,514	4,289,786
Refunds to Other Plans		659,578		14,207	11,174	29,780	3,635
Transfers to DCRP		1,076,716					
Transfers to ORP		249,583					
Supplemental Insurance Payments							
OPEB Expenses		71,660	124	643	2,079	1,429	1,830
Administrative Expenses		2,760,383	8,444	26,997	77,772	50,936	75,878
Miscellaneous Expenses							
Total Deductions		197,756,636	1,837,534	6,916,652	8,056,172	2,995,561	18,077,764
Net Increase (Decrease)		(249,265,482)	(3,128,250)	(6,525,831)	(8,006,683)	(57,202)	(10,758,834)
Net Assets Held in Trust for Pension Benefits							
Beginning of Year		4,103,437,060	61,930,031	102,801,166	196,845,884	73,305,624	211,243,010
Prior Period Adjustment		4,501					
End of Year	$	3,854,176,079	58,801,781	96,275,335	188,839,201	73,248,422	200,484,176

The notes to the financial statements are an integral part of this statement.

Defined Benefit Pension Plans			Defined Contribution Plans			
FURS	VFCA	Total Defined Benefit Pension Plans	PERS-DCRP	457 Plan	Total Defined Contribution Plans	Total Pension Trust Funds 2008
4,466,885		94,941,397	3,254,857	70,485	3,325,342	98,266,739
3,151,825		88,636,998	5,117,841	19,107,055	24,224,896	112,861,894
		108				108
110		256,246				256,246
		27,709				27,709
		193	216,499	415,812	632,311	632,504
9,568,388	1,562,019	21,249,443				21,249,443
			337,633		337,633	337,633
17,187,208	1,562,019	205,112,094	8,926,830	19,593,352	28,520,182	233,632,276
(14,409,762)	(2,103,551)	(355,093,945)	(5,319,796)	(13,267,037)	(18,586,833)	(373,680,778)
4,775,904	843,061	118,419,628	2,331,840	17,120,725	19,452,565	137,872,193
741,365	99,569	18,484,503				18,484,503
(950,094)	(129,131)	(24,016,959)		(566,681)	(566,681)	(24,583,640)
(9,842,587)	(1,290,052)	(242,206,773)	(2,987,956)	3,287,007	299,051	(241,907,722)
600,452	81,242	14,956,036	2,196	773	2,969	14,959,005
(490,757)	(66,365)	(12,222,160)	(1,718)	(605)	(2,323)	(12,224,483)
109,695	14,877	2,733,876	478	168	646	2,734,522
(9,732,892)	(1,275,175)	(239,472,897)	(2,987,478)	3,287,175	299,697	(239,173,200)
7,454,316	286,844	(34,360,803)	5,939,352	22,880,527	28,819,879	(5,540,924)
13,353,419	1,716,773	227,748,053				227,748,053
116,292		17,955,902	2,519,019	13,302,201	15,821,220	33,777,122
		718,374				718,374
		1,076,716				1,076,716
		249,583				249,583
	14,025	14,025				14,025
1,381	1,332	80,478	6,537	4,777	11,314	91,792
55,605	44,933	3,100,948	245,955	240,644	486,599	3,587,547
			216,313	812,639	1,028,952	1,028,952
13,526,697	1,777,063	250,944,079	2,987,824	14,360,261	17,348,085	268,292,164
(6,072,381)	(1,490,219)	(285,304,882)	2,951,528	8,520,266	11,471,794	(273,833,088)
200,879,072	27,505,493	4,977,947,340	41,988,445	288,888,994	330,877,439	5,308,824,779
		4,501				4,501
194,806,691	26,015,274	4,692,646,959	44,939,973	297,409,260	342,349,233	5,034,996,192

Public Employees' Retirement Board

A Component Unit of the State of Montana

Notes to the Financial Statements

for the Fiscal Year Ended June 30, 2008

The Public Employees' Retirement Board (PERB) administers ten retirement plans and the related member education funds. The retirement plans are eight defined benefit plans and two defined contribution plans. The *defined benefit* retirement plans are the Public Employees' Retirement System (PERS-DBRP), Judges' Retirement System (JRS), Highway Patrol Officers' Retirement System (HPORS), Sheriffs' Retirement System (SRS), Game Wardens' and Peace Officers' Retirement System (GWPORS), Municipal Police Officers' Retirement System (MPORS), Firefighters' Unified Retirement System (FURS), and the Volunteer Firefighters' Compensation Act (VFCA). The *defined contribution* retirement plans are the Public Employees' Retirement System (PERS-DCRP) and the Deferred Compensation (IRC §457) Plan. The PERS-DCRP was implemented July 1, 2002. All new PERS members, after July 1, 2002, have a 12-month window to file an irrevocable plan choice election. The Deferred Compensation plan is available to employees of the state and university system and to local political subdivisions that contract with the PERB.

PERS members are provided member education as a tool to help them decide between participation in the Defined Benefit Retirement Plan (PERS-DBRP) or the Defined Contribution Retirement Plan (PERS-DCRP). If members are employees of the university system they have a third choice, the Optional Retirement Program (ORP). The plan choice is a one-time irrevocable election. Further education is provided for the members who choose the PERS-DCRP, including information on investment choices. The Montana Public Employee Retirement Administration (MPERA) participates as an employer in the PERS-DBRP, PERS-DCRP and the Deferred Compensation plan.

The assets of each plan are maintained separately, including member education funds. The assets may be used only for the payment of benefits to the members and administrative expenses of the appropriate plan, in accordance with the terms of each plan as prescribed in Title 19 of the Montana Code Annotated (MCA). The financial statements are presented by combining the PERS-DBRP and the DBRP Education Fund and by combining the PERS-DCRP, the DCRP Education Fund and the DCRP Disability Fund. A presentation of each individual fund is shown at the end of the financial section on pages 86 to 88.

A. Summary of Significant Accounting Policies

1. Basis of Accounting

The PERB is a discretely presented component unit Pension Trust Fund of the State of Montana financial reporting entity. The MPERA, staff of the PERB, prepares the accounting records and financial statements for the fiduciary/pension trust funds using the accrual basis of accounting. For the pension trust funds, member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period in which they are earned and become measurable. Benefits and refunds/distributions are recognized in the accounting period in which they are due and payable. Expenses are recognized in the period incurred. Administrative expenses are financed through investment earnings on the pension trust fund for the defined benefit plans. Interfund receivables and payables exist at year-end because all defined benefit administrative expenses are accounted for within PERS-DBRP and allocated to the other defined benefit plans at year-end.

Adjustments to the fiscal year 2008 financial statements consist of a prior period adjustment to the PERS-DBRP plan for prior years' employer reporting errors of lump sum vacation payouts without termination.

Participants of the PERS-DCRP are charged, on a quarterly basis, a flat fee plus a basis point fee on their account balance. The flat fee covers the recordkeeping provided by Great West Retirement Services (Great West). The basis point fee is remitted to the PERB to cover the PERB's administrative expenses of the plan. The fees returned to the PERB are recorded as *Miscellaneous Revenue* in the financial statements.

Participants of the Deferred Compensation plan are charged quarterly basis point fees based on individual account balances. The record keeper, Great West, withholds the fees from participants' accounts and after payment of Great West's contractual expenses, the remaining fees are remitted to the PERB. The remaining fees, recorded as *Miscellaneous Revenue* in the financial statements, are used to pay the PERB's related administrative expenses.

2. Capital Assets and Equipment Used in Operations

Assets under $5,000 are expensed in the year purchased. Assets valued at $5,000 or more are recorded at cost less straight-line depreciation over the estimated useful life of five to ten years. Equipment consists of a server. Capital assets include the web-based employer reporting software and the MPERA website.

A new server was purchased in September 2005. The accumulated depreciation of the server as of June 30, 2008 is $5,641 and the carrying value is $2,323. The accumulated depreciation on the web-based employer reporting system is $1,296,690 as of June 30, 2008. The carrying value as of June 30, 2008 is $261,262. During fiscal year 2008, another stage of this process was implemented, thus increasing the cost of the total asset by $130,935. For the Deferred Compensation web-based employer reporting system the accumulated depreciation as of June 30, 2008 is $180,125 and the carrying value is $7,462. The accumulated depreciation on the MPERA website as of June 30, 2008 is $57,415 and the carrying value is $35,643. During fiscal year 2008, another stage of this process was implemented, thus increasing the cost of the total asset by $24,780.

3. Operating Lease

Operating leases are rental agreements where the payments are chargeable as rent and recorded as administrative expenses. The MPERA entered into a 10-year lease for office space in November 2003, at the location of 100 North Park. The lease is payable monthly and includes inflationary adjustments over the period of the lease.

4. Funded Status And Funding Progress

Effective June 30, 2007, MPERA implemented the provision of the Governmental Accounting Standards Board (GASB) Statement No. 50 - Pension Disclosures. The disclosures are amendments to GASB Statement 25 and present the disclosures of the actuarial methods, assumptions and funded status of the plan in the financial notes.

The funded status of the eight defined benefit retirement plans, as of the most recent actuarial valuation date, is in the table below.

The net Funded Ratio increased or remained the same in fiscal year 2008 for all retirement plans, except PERS and GWPORS decreased.

Funded Ratio as of June 30, 2008	
PERS-DBRP	90%
JRS	157%
HPORS	75%
SRS	98%
GWPORS	93%
MPORS	65%
FURS	72%
VFCA	84%

The required supplementary information (RSI), following the notes to the financial statements, presents similar information but uses a multi-year format to show trend information. These trends indicate whether the actuarial values of the plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities.

The information on the next page is general and applicable to each defined benefit plan.

Funded Status as of June 30, 2008

(dollar amounts are in thousands)

System	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
PERS-DBRP	$4,065,307	$4,504,743	$439,436	90.25%	$955,113	46.01%
JRS	62,040	39,435	(22,605)	157.32%	5,096	-443.58%
HPORS	101,500	134,683	33,183	75.36%	10,866	305.38%
SRS	199,453	204,549	5,096	97.51%	47,196	10.80%
GWPORS	77,511	83,449	5,938	92.88%	32,365	18.35%
MPORS	212,312	327,556	115,244	64.82%	32,181	358.11%
FURS	206,127	287,218	81,091	71.77%	29,158	278.11%
VFCA	27,544	32,735	5,191	84.14%	N/A*	N/A*

*Covered payroll is not applicable to VFCA because members are unpaid volunteers.

General to each DB Retirement System	
Valuation date	June 30, 2008
Actuarial cost method	Entry Age
Amortization method	Level percent payroll, open
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases:	
General Wage Growth*	4.25%
*includes inflation rate at	3.25%
Guaranteed annual benefit adjustment (GABA), except VFCA	3% after 1 year. Effective July, 1, 2007, 1.5% GABA for new hires of PERS, SRS and GWPORS.

Remaining Amortization Period	
PERS-DBRP	24.8 years
JRS	N/A*
HPORS	17.4 years
SRS	16.3 years
GWPORS	13.0 years
MPORS	18.6 years
FURS	11.3 years
VFCA	5.0 years

* Currently the surplus is not expected to be exhausted.

Merit Projected Salary Increases	
PERS-DBRP	0% - 6%
JRS	None
HPORS	0% - 7.3%
SRS	0% - 7.3%
GWPORS	0% - 7.3%
MPORS	0% - 7.3%
FURS	0% - 7.3%
VFCA	N/A

The minimum benefit adjustment (non-GABA) for PERB's retirement systems only affects four systems: JRS, HPORS, MPORS and FURS. A table showing the non-GABA adjustment for these systems follows.

Minimum Benefit Adjustment (non-GABA)	
Retiree benefit adjustment uses:	
JRS	Biennial increase to salary of active member in like position
HPORS	2% per year of service, not to exceed 5%, for probationary officer's base pay
MPORS	50% of newly confirmed officer's pay
FURS	50% of newly confirmed officer's pay

5. Other Post-Employment Benefits (OPEB)

For the fiscal year ending June 30, 2008, the State of Montana implemented Governmental Accounting Standards Board (GASB) Statement 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions. This statement requires the disclosure of employer liability for retiree medical subsidies and other post-employment benefits.

Plan Description: MPERA employees and dependents are eligible to receive health care through the State Group Benefits Plan administered by the Montana Department of Administration. In accordance with section 2-18-704, MCA, the State provides optional post-employment medical, vision and dental health care benefits to the following employees and dependents who elect to continue coverage and pay administratively established premiums: (1) employees and dependents who retire under applicable retirement provisions and (2) surviving dependents of deceased employees. For GASB Statement 45 reporting, the State Group Benefits Plan is considered an agent multiple-employer plan and MPERA is considered to be a separate employer participating in the plan.

In addition to the retirement plans, the following post-employment benefits are provided. Montana Department of Administration established retiree medical premiums vary between $160 and $776 per month depending on the medical plan selected, family coverage, and Medicare eligibility. Administratively established dental premiums that vary between $31.00 and $53.20; vision premiums vary between $7.64 and $22.26; both premiums vary depending on the coverage selected. Basic life insurance in the amount of $14,000 is provided until age 65 at a cost of $1.90 per month to the retiree. The State Benefit Plan reimburses all validated medical claims net of member obligations (annual deductibles and coinsurance of the members' selected medical plan). Dental claims are reimbursed at 50 percent to 100 percent of the allowable charges, depending on the services provided. The State acts as secondary payer for retired Medicare-eligible claimants.

Benefits Not Included in the Valuation: Retirees pay 100 percent of dental premiums. Thus, there is no liability for dental valued in this valuation. The vision benefit is fully-insured and retirees pay 100 percent of the cost. Thus, there is no liability for vision valued in this valuation. The life insurance benefit is a fully-insured benefit that is payable until age 65 with the retiree required to pay the full premium. There is no liability value reported in this valuation for the retirees, though the required premium is an active/retiree blended premium. This liability would be insignificant to the overall results of this valuation.

Funding Policy: The following estimates were prepared for the Department of Administration by the Actuaries Northwest, LLC and the resulting State of Montana Actuarial Valuation of Other Post-Employment Benefits Plan (plan) contains the MPERA data and is available through:

Montana Department of Administration,
State Accounting Division
RM 255, Mitchell Building,
125 N Roberts Street
PO Box 200102,
Helena, MT 59620-0102.

GASB Statement 45 requires the plan's participants, including MPERA, to report each year the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year of retiree health care costs and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The 2008 ARC is calculated for all the State plan's participants and then individually allocated to individual participants. The MPERA 2008 ARC is estimated at $91,792 and is based on the plan's current ARC rate of 7.99 percent of participants' annual covered payroll. The MPERA 2008 ARC is equal to an annual amount required each year to fully fund the liability over thirty years.

The amount of the estimated OPEB actuarial accrued liability at transition was determined in accordance with the GASB Statement 45, and liability is estimated at

$1,047,666 for MPERA. (The actuarial accrued liability is the present value of future retiree and active employees who will retire and be eligible for benefits and expenses.)

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in the actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress for OPEB, presented as required supplementary information following the notes to the financial statements, presents information showing the actuarial value of plan assets and liabilities. In the December 31, 2007, actuarial valuation, the projected unit credit funding method is used. The actuarial assumptions did not include an investment rate of return since no assets meeting the definition of plan assets under GASB Statements 43 or 45. Annual healthcare cost trend rates of 8 percent for medical and 15 percent for prescription claims are used. The unfunded actuarial accrued liability is amortized following a 30-year level percentage of payroll amortization schedule on an open basis beginning January 1, 2007.

The State finances claims on an a pay-as-you-go basis and does not advance-fund the OPEB liability. While this liability is disclosed for financial statement purposes it does not represent a legal liability of the State or MPERA. Therefore, the following cost information shows no cost contributions or plan assets made by MPERA. Since 2008 is the OPEB reporting implementation year and year of transition, there is not two years' previous information available to report as required by GASB Statement 45.

Annual OPEB Cost: For fiscal year 2008, PERB's allocated annual OPEB cost (expense) of $91,792 was equal to the ARC. The PERB annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2008 are as follows:

Fiscal Year Ended	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2008	$ 91,792	0.00%	$ 91,792

Funded Status and Funding Progress: The funded status of the MPERA allocation of the plan as of June 30, 2008, was as follows: Actuarial Accrued Liability (AAL) is $1,047,666; Actuarial Value of Plan Assets is 0 percent; Unfunded Actuarial Accrued Liability (UAAL) is $1,047,666; Funded Ratio (Actuarial

Value of Plan Assets/AAL) is $0; Covered Payroll (Active Plan Members) is $1,326,012; and the UAAL as a Percentage of Covered Payroll is 79.03 percent.

6. Method Used to Value Investments

According to Article VIII, section 13 of the Montana Constitution and section 19-2-504, MCA, the BOI has a fiduciary responsibility for investing the defined benefit retirement plan assets on behalf of the defined benefit plans. Investments are determined in accordance with the statutorily and constitutionally mandated "prudent expert principle." Pursuant to Article VIII, Section 15 of the Montana Constitution and sections 19-2-502 and 19-2-503, MCA, the PERB has a fiduciary responsibility for the administration of the pension trust funds. Investments are reported at fair value. As of June 30, 2008, there were six major diversified pools, Montana Short Term Investment Pool (STIP), Montana Domestic Equity Pool (MDEP), Retirement Funds Bond Pool (RFBP), Montana International Pool (MTIP), Montana Private Equity Pool (MPEP) and Montana Real Estate Investment Pool (MTRP).

The PERS-DCRP's fixed investments were invested and managed on behalf of the plan by Pacific Investment Management Company (PIMCO), the investment manager.

The Deferred Compensation plan's fixed investments were invested and managed on behalf of the plans by PIMCO and the custodial bank State Street Bank Kansas City (SSKC).

For both the PERS-DCRP and Deferred Compensation plan the third party record keeper, Great West Retirement Services, tracks and reports the daily trading and valuations of all investment options including the assets held by the individual mutual fund companies.

In addition to the laws cited above, the PERS-DCRP investments are also governed by section 19-3-2122, MCA. There are separate investment policies for the Deferred Compensation and PERS-DBRP plans. The investment policies are reviewed by the PERB on an annual basis and the investment options are reviewed quarterly by an independent third party consultant and investment analyst. In the review, each investment alternative is compared to its peers and the appropriate benchmark and the relevant Investment Policy Statement. In addition, each investment alternative is reviewed for other indicators including, but not limited to: style drift, duplication, and fund manager or other organizational changes. Investment alternatives that are determined to have a sub-standard performance rating or other negative indicators may be recommended for probation or termination. Investments are reported at fair value as of June 30, 2008.

The following are the summaries of the BOI's fiscal year end statements, the PIMCO/SSKC contracts and a statement about the variable investments. The BOI had investment losses in fiscal year 2008 and subsequent losses since June 30, 2008. The BOI fiscal year statements and information on these losses can be obtained by contacting BOI.

STIP portfolio may include asset-backed securities, commercial paper, corporate and U.S. government direct obligations, U.S. government agency securities, repurchase agreements, institutional money market funds, certificates of deposit and variable-rate (floating-rate) instruments. The purpose of STIP is the preservation of principal, while obtaining money market type returns and 24-hour liquidity. The BOI has as policy that STIP will, and does, operate in a manner consistent with the SEC's rule 2a7 of the Investment Company Act of 1940. In meeting certain conditions, STIP, as a 2a7-like pool, is allowed to use amortized cost rather than fair value to report net assets to compute unit values. The portfolio is carried at amortized cost or book value with a constant unit value of $1.00. State agencies with accounts that retain interest earnings are legally required to invest in STIP and the PERB elects to have all STIP income automatically reinvested. For fiscal year 2008 income was distributed on the first calendar day of each month. *Credit Risk* is that the issuer of a STIP security may default in making timely principal and interest payments. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. For *Custodial Credit Risk* as of June 30, 2008, all the STIP securities were registered in the nominee name for the BOI and held in the possession of the BOI's custodial bank, State Street Bank. The PERB potion of STIP is 2.47 percent.

At June 30, 2008, the STIP balance included Structure Investment Vehicles (SIVs) that were no longer liquid. As a result these are no longer considered cash equivalents and are reclassified from cash to investments based on a pro rata share of the pension funds' investment in the pool.

MDEP may include common stock, equity index shares, preferred stock, convertible equity securities, American Depositary Receipts (ADR's), equity derivatives and commingled funds. The MDEP portfolio is limited to domestic stock or ADR investments. ADR investments are receipts issued by a U.S. depositary bank representing shares of a foreign stock or bonds held abroad by the foreign subcustodian of the American depositary bank. For *Custodial Credit Risk* as of June 30, 2008, all the MDEP securities were registered in the nominee name for the BOI and held in the possession of the BOI's custodial bank, State Street Bank. The PERB portion of MDEP is 61.00 percent.

RFBP portfolio includes corporate and foreign government bonds; U.S. government direct obligations and U.S. government agency securities; and cash equivalents. U.S. government direct obligations include U.S. Treasury securities and debt explicitly guaranteed by the U.S. government. U.S. government agency securities include U.S. government agency and mortgage-backed securities. U.S. government mortgage-backed securities reflect participation in a pool of residential mortgages. The bond pools also include structured financial instruments known as Real Estate Mortgage Investment Conduits (REMIC) securities. These investments are pass-through vehicles for multi class mortgage-backed securities and some may be interest-only strips. These investments represent the separate purchase of the principal and interest cash flows of a mortgage security and receive cash flows from the interest payment component on underlying mortgage loans. *Credit Risk* is that the issuer of a fixed income security may default in making timely principal and interest payments. For *Custodial Credit Risk* as of June 30, 2008, all the fixed income securities were registered in the nominee name for the BOI and held in the possession of the BOI's custodial bank, State Street Bank. The State Street repurchase agreement was purchased in the State of Montana BOI name. The RFBP investment policy does not formally address *Interest Rate Risk*. In accordance with GASB Statement No. 40, the BOI has selected the effective duration method to disclose interest rate risk. The fair value of total fixed income investments is $1,991,701,315 with an effective duration of 4.63. The PERB portion of RFBP is 61.33 percent.

MTIP may include common stock, equity index shares, preferred stock, convertible equity securities, American Depositary Receipts (ADR's), equity derivatives, and commingled funds. ADR investments are receipts issued by a U.S. depositary bank representing shares of a foreign stock or bonds held abroad by the foreign sub-custodian of the American depositary bank. The MTIP portfolio may include holdings of securities of foreign-based corporations listed on legal and recognized foreign exchanges as well as domestic exchanges. The MTIP portfolio invests in both developed and emerging markets. For *Custodial Credit Risk* as of June 30, 2008, all MTIP securities were registered in the nominee name for the Montana BOI and held in the possession of the BOI's custodial bank, State Street Bank. *Foreign Currency Risk* is the risk that changes in exchange rates will adversely affect the fair value of an investment. The MTIP has significant investments in multiple foreign countries. Future economic and political developments in these countries could adversely affect the liquidity or value, or both, of the securities in which MTIP is invested. The PERB portion of MTIP is 61.17 percent.

MPEP portfolio may include venture capital, leveraged buyout, mezzanine, distressed debt, special situation and secondary investments. These investments are made via Limited Partnership Agreements in which the BOI and other institutional investors invest as Limited Partners in funds managed by a General Partner. These investments are riskier with higher potential return than public equity investments and are less liquid because the funds are usually committed for at least 10 years. Realized capital gains are not distributed unless the gains are needed to pay management fees. Income due participants is distributed monthly on the first calendar day of each month. For *Custodial Credit Risk* as of June 30, 2008, all MPEP investments were recorded in the name of the Montana BOI and held in the possession of the BOI's custodial bank, State Street Bank. *Foreign Currency* Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The MPEP includes securities subject to foreign currency risk. The PERB portion of MPEP is 61.37 percent.

MTRP portfolio includes investments in core, value-added, and opportunistic real estate. Core investments are the least risky with the lowest return and are usually managed in commingled accounts in which the investor purchases shares. Value-added and opportunistic real estate investments provide more risk and return and are less liquid than core investments. These investments are usually made through Limited Partnership Agreements. The MTRP invests its cash in STIP. Realized capital gains are not distributed unless the gains are needed to pay management fees. Income due participants is distributed monthly on the first calendar day of each month. *Custodial Credit Risk* as of June 30, 2008, all MTRP investments were recorded in the name of the Montana BOI and held in the possession of the BOI's custodial bank, State Street Bank. *Foreign Currency* Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The MTRP includes securities subject to foreign currency risk. The PERB portion of MTRP, which only is applicable to PERS, is 61.17 percent.

All Other Funds (AOF) Investments portfolio for the pension plans includes real estate, mortgages and commercial loans. Fair values are determined, primarily, by reference to market prices supplied to the BOI by its custodial bank, State Street Bank. The real estate investments and residential and multi-family mortgages are valued based on a discounted cash flow. The mortgages receivable funded by the retirement systems consist of residential mortgages. As of June 30, 2008, there were no uncollectible account balances for mortgages. Real estate investments held, in part, for the PERS include a building at 100 North Park Avenue in Helena, MT; a building at 2273 Boot Hill Court in Bozeman, MT; a building at 2401 Colonial Drive in Helena, MT; and property located on California Street in Helena, MT. The BOI also holds the building located at 1712 Ninth Avenue in Helena, MT for the sole benefit of the PERS. *Credit Risk:* As of June 30, 2008, the PERB did not have a credit quality rating for the total fixed income investments. *Custodial Credit Risk* as of June 30, 2008 has real estate, and mortgage investments registered in the name of the Montana BOI. There is no *Concentration of Credit Risk* for the PERB.

Securities Lending Collateral, governed under the provisions of state statutes, BOI authorized the custodial bank, State Street Bank, to lend the BOI securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The custodial bank is required to maintain collateral equal to 102 percent of the fair value of domestic securities and 105 percent of the fair value of international securities while the securities are on loan. The BOI and the custodial bank split the earnings on security lending activities. The securities lending collateral, securities lending collateral liability, securities lending income and securities lending expense consist of allocations to PERB on a pro rate basis of its ownership share of each pool with securities lending activity. At June 30, 2008, the BOI had no credit risk exposure to borrowers because the collateral pledged by the borrowers exceeded the value of the securities borrowed. The private equity and real estate pools do not participate in securities lending.

Fixed Investments for the PERS-DCRP and the Deferred Compensation plans provide a guarantee of principal by Aegon, the insurance wrapper. Aegon sets a fixed quarterly rate of return based on the investment manager's portfolio yield and duration. For the PERS-DCRP, fixed investments are administered by Pacific Investment Management Company (PIMCO), the investment manager. For the Deferred Compensation plan the fixed investments are administered and directed through PIMCO, the investment manager, and State Street Bank Kansas City (SSKC), the custodial bank.

The PERS-DCRP fixed investments are invested in a PIMCO Moderate Duration mutual fund. The Fund seeks to achieve its investment objective by investing under normal circumstances at least 65% of its total assets in a diversified portfolio of Fixed Income instruments of varying maturities, which may be represented by forwards or derivatives such as options, futures contracts, or swap agreements. The average portfolio duration of this Fund normally varies within two years (plus or minus) of the duration of the Lehman Brothers Intermediate Government/Credit Index, which as of June 30, 2008 was 3.81 years. The Fund invests primarily in investment grade debt securities, but may invest up to 10% of its total assets in high yield securities ("junk bonds") rated B or higher by Moody's, or equivalently rated by S&P or Fitch, or, if unrated, determined by PIMCO to be of comparable quality. The Fund may invest up to 30% of its total assets in securities denominated in foreign currencies, and may invest beyond this limit in U.S. dollar-denominated securities of foreign issuers. The Fund may invest up to 15% of its total assets in securities and instruments that are economically tied to emerging market countries. The Fund will normally limit its foreign currency exposure (from non-U.S. dollar-denominated securities or currencies) to 20% of its total assets. The Fund may invest all of its assets in derivative instruments, such as options, futures contracts or swap agreements, or in mortgage-backed or asset-backed securities. The Fund may, without limitation, seek to obtain market exposure to the securities in which it primarily invests by entering into a series of purchase and sale contracts or by using other investment techniques (such as buy backs or dollar rolls). The "total return" sought by the Fund consists of income earned on the Fund's investments, plus capital appreciation, if any, which generally arises from decreases in interest rates, foreign currency appreciation, or improving credit fundamentals for a particular sector or security. The Fund may also invest up to 10% of its total assets in preferred stocks. *Concentration of Credit Risk* is not addressed in the investment policy and investments in mutual funds are not required to be disclosed.

Variable Investments for the PERS-DCRP and Deferred Compensation plan are held and managed by a selection of retail and institutional mutual funds, which cover all standard asset classes and categories. The selection of offered mutual funds is designed to provide participants with the ability to diversify and meet their individual investment goals and strategies. The PERB, with the advice of the statutorily created Employee Investment Advisory Council and the assistance of an independent third-party consultant and investment analyst, conducts quarterly reviews of the offered mutual funds. The goal of the reviews is to ensure that the offered mutual funds meet standards established in the Investment Policy Statement adopted by the PERB. The investment policy states that "Participants make individual investment decisions, subject to the investments offered under the plan and, ultimately, bear the risks and rewards of investment returns." In the reviews, each investment alternative is compared to its peers and the appropriate benchmark. In addition, each investment alternative is reviewed

for other indicators including, but not limited to: style drift, duplication, and fund manager or other organizational changes. Investment alternatives that are determined to have a sub-standard performance rating or other negative indicators may be recommended for probation or termination. During the reviews, the PERB may decide to retain, replace or place in a probation status any of the offered mutual funds. *Concentration of Credit Risk* is not addressed in the investment policy and investments in mutual funds are not required to be disclosed.
Investments are reported at fair value as of June 30, 2008. Available mutual funds are listed on pages 65 and 68 or a listing can be obtained by contacting MPERA.

B. LITIGATION

Each of the plans administered by the PERB may be involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management and legal counsel, the disposition of those matters will not have a material, adverse affect on any plans' financial position as a whole.

Bean, et al v. Montana and MPERA (Cause No. ADV-2004-707, First Judicial District) challenged the constitutionality of Chapter 290, L. of 2001 which allowed firefighters hired by the Montana Air National Guard on or after October 1, 2001 to join the Firefighters' Unified Retirement System (FURS) rather than the Public Employees' Retirement System (PERS). Plaintiffs, hired before October 1, 2001, claimed the law is a violation of equal protection and sought coverage under FURS. A counterclaim sought proper FURS employee contributions from plaintiffs if they are determined to be covered by FURS. Cross motions for summary judgment were filed; following which District Judge Dorothy McCarter determined that the legislation violated the equal protection clause of the constitution and awarded attorney fees to plaintiffs. The matter was appealed to and briefed before the Montana Supreme Court. On February 26, 2008, the Supreme Court reversed the District Court and determined the legislation to be constitutional. There is no material actuarial impact.

In the Matter of J.C., et al. The claimants are all former volunteer firefighters who are contesting MPERA's refusal to increase their retirement benefits based on changes to section 19-17-404, MCA. In both 2003 and 2005 the Legislature amended section 19-17-404, MCA to increase retirement benefits to members who continued as volunteer firefighters for more than twenty years. The claimants, who allege they all served as volunteer firefighters for more than twenty years, demand that their retirement benefits be recalculated according to the new benefit structure provided in the amended version of section 19-17-404, MCA. But because the claimants all retired prior to the effective date of the amendments, they are not eligible to have their retirement benefits recalculated. The claimants have indicated they will seek a class-action certification in this matter to include all retirees allegedly affected by MPERA's actions. The probability of the claimants prevailing is remote, although there could be a material actuarial impact on the VFCA fund if the claimants prevail. The total potential actuarial impact has not yet been determined.

C. Plan membership, descriptions and contribution information

The plans are established and amended statutorily by the Legislature. In all defined benefit plans (except VFCA), if a member leaves covered employment before retirement, the member contributions plus accrued interest may be refunded to the member. If a member returns to service and repays the withdrawn contributions plus the interest the contributions would have earned had they remained on deposit, membership service is restored. Membership of each plan as of June 30, 2008 and June 30, 2007 is detailed in the following charts:

PERS-DBRP Membership

	2008	2007		2008	2007
Number of participating employers	528	528			
Active plan members	28,293	27,977	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	15,991	15,488
Vested	2,579	2,576	Disability Retirements	290	316
Non-vested	6,268	6,401	Survivor Benefits	346	333
	8,847	8,977		16,627	16,137

JRS Membership

	2008	2007		2008	2007
Number of participating employers	1	1			
Active plan members	51	51	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	48	49
Vested	5	5	Disability Retirements	-	-
Non-vested	-	-	Survivor Benefits	2	2
	5	5		50	51

HPORS Membership

	2008	2007		2008	2007
Number of participating employers	1	1			
Active plan members	212	204	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	271	267
Vested	13	14	Disability Retirements	8	7
Non-vested	7	8	Survivor Benefits	11	10
	20	22		290	284

SRS Membership

	2008	2007		2008	2007
Number of participating employers	57	57			
Active plan members	1,109	1,076	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	344	334
Vested	46	38	Disability Retirements	34	35
Non-vested	139	120	Survivor Benefits	16	15
	185	158		394	384

GWPORS Membership

	2008	2007		2008	2007
Number of participating employers	7	7			
Active plan members	885	821	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	116	107
Vested	40	35	Disability Retirements	-	1
Non-vested	115	91	Survivor Benefits	4	3
	155	126		120	111

MPORS Membership

	2008	2007		2008	2007
Number of participating employers	27	23			
Active plan members	673	640	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	592	549
Vested	34	37	Disability Retirements	15	14
Non-vested	58	38	Survivor Benefits	29	29
	92	75		636	592

FURS Membership

	2008	2007		2008	2007
Number of participating employers	19	17			
Active plan members	525	480	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	508	490
Vested	9	9	Disability Retirements	5	6
Non-vested	52	52	Survivor Benefits	22	23
	61	61		535	519

VFCA Membership

	2008	2007		2008	2007
Number of participating companies	210	193			
Active plan members	2,301	2,207	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits			Service Retirements	1,081	1,033
Vested	793	800	Disability Retirements	-	-
			Survivor Benefits	1	5
				1,082	1,038

PERS-DCRP Membership

	2008	2007		2008	2007
Number of participating employers	233	237			
Active plan members	1,769	1,563	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Benefit Payments	6	3
Vested	131	108	Disability Payments	-	-
Non-vested	350	239	Survivor Payments	-	-
	481	347		6	3

Deferred Compensation (457) Membership

	2008	2007		2008	2007
Number of participating employers	17*	16	Number of participating plan members	8,001	7,930
Number of participating employers that provide contributions on members' behalf	2	2	Number of participating plan members that are actively contributing to their deferred compensation accounts	5,346	5,348

*State is one employer.

Public Employees' Retirement System-DBRP (PERS-DBRP)

Plan Description: The PERS-Defined Benefit Retirement Plan (DBRP) is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 & 3, Montana Code Annotated (MCA). This plan covers the State, local governments and certain employees of the university system and school districts.

All new hires are initially members of the PERS-DBRP. New members have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP. Members may not be members of both the *defined benefit* and *defined contribution* retirement plans. The choice is irrevocable. All new members from the universities also have a third option to join the university system's Optional Retirement Program (ORP). For members that choose to join the PERS-DCRP or the ORP, a percentage of the employer contribution will be used to maintain the funding of the PERS-DBRP.

The PERS-DBRP provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature. Benefits are based on eligibility, years of service and highest average compensation. Member rights are vested after five years of service. A brief summary of eligibility and benefits follows:

PERS-DBRP Summary of Benefits

Member's highest average compensation (HAC)
Highest average compensation during any consecutive 36 months

Eligible for benefit
Service retirement:
30 years of membership service, any age;
Age 60, 5 years of membership service; or
Age 65, regardless of service
Early retirement, actuarially reduced:
Age 50, 5 years of membership service; or
Any age, 25 years of membership service

Vesting 5 years of membership service

Monthly benefit formula
Less than 25 years of membership service: 1.785% of HAC per year of service credit;
25 years of membership service or more: 2% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)
After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit

- 3.0% for members hired before July 1, 2007
- 1.5 % for members hired on or after July 1, 2007

At June 30, 2008 PERS had 528 participating employers, the same as FY2007. The participating employers consist of:

PERS-DBRP EMPLOYERS

Employers	June 30, 2008	June 30, 2007
State Agencies	34	36
Counties	55	55
Cities and Towns	96	96
Colleges and Universities	5	5
School Districts	233	232
High Schools	6	6
Other Agencies	99	98
Total	528	528

Contributions: Member and employer contribution rates are established by state law and may be amended only by the Legislature. The member contribution rate for fiscal year 2008 was 6.9% of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. An individual account is established for each member's contributions and interest allocations until a request for retirement or refund is processed.

Each state agency and university system employer contributed 7.035% of PERS-covered payroll during fiscal year 2008. This was increased from 6.9% in fiscal year 2007. Participating local governments contributed 6.935% of PERS-covered payroll during fiscal year 2008. This was an increase of 0.135% from 2007. The State contributed the remaining 0.1% for local governments. Participating school districts contribute 6.8% of PERS-covered payroll during fiscal year 2008. This was the same rate as fiscal year 2007. The state contributed the remaining 0.235% from the general fund, an increase of 0.135% from 2007. A percentage of the employers' contributions is used to fund the employee education program. (Reference Schedule of Contribution Rates on page 73).

Plan Membership Elections: MPERA has included in the financial statements transfers of $1,076,716 in Transfers to DCRP and $249,583 in Transfers to ORP. These transfers reflect the DCRP and ORP contributions of participants that filed elections at or near the June 30 cutoff date. The contributions were transferred in early fiscal year 2009.

PERS-DBRP Active Membership by Employer Type

Employer Type	June 30, 2008	June 30, 2007
State Agencies	10,878	10,727
Counties	5,297	5,137
Cities	3,201	3,122
Universities	2,576	2,603
High Schools	52	61
School Districts	5,182	5,200
Other Agencies	1,107	1,127
Total	28,293	27,977

Additional Service Purchase Due to a Reduction in Force: Section 19-2-706, MCA related to the Employee Protection Act allows state and university system employees who are eligible for a service retirement and whose positions have been eliminated to have their employer pay a portion of the total cost of purchasing up to three years of "1-for-5" additional service. The employees participating under section 19-2-706, MCA increased from 177 in fiscal year 2007 to 183 in fiscal year 2008. The employer has up to ten years to complete payment for the service purchases and is charged 8% interest on the unpaid balance. The retirement incentive contributions received (including interest) during fiscal year 2008 totaled $2,729. The outstanding balance at June 30, 2008, totaled $29,151.

Public Employees' Retirement System-DBRP Education Fund: Education is provided to all members of the PERS regardless of plan choice as governed by section 19-3-112, MCA. The education must be presented with impartial and balanced information about plan choices, investments and retirement planning.

The education program consists of three primary components:

1) initial transfer education — complete as of July 1, 2003.
2) ongoing transfer education — for new members after the July 1, 2002 plan start date; and
3) ongoing investment/retirement planning education — for all active members.

The education program was funded by 0.04% of PERS-covered payroll in fiscal year 2008.

Actuarial Status: The statutory funding rate is tested in the valuation to determine if it is sufficient to cover the Normal Cost Rate plus an amortization payment of the Unfunded Actuarial Liability, if any, over no more than 30 years. Based on the current Actuarial Value of Assets and all future experience emerging as assumed, the Unfunded Actuarial Liability will be amortized over the next 24.8 years. This amortization period does not reflect the sunset provisions for the additional contributions under section 19-3-316, MCA. Without the additional contributions effective July 1, 2007 and July 1, 2009, the amortization period for the Unfunded Actuarial Liability would be 29 years.

Judges' Retirement System (JRS)

Plan Description: The JRS is a single-employer defined benefit plan established in 1967, and governed by Title 19, chapters 2 & 5 of the MCA. This system provides benefits for all Montana judges of the district courts, justices of the Supreme Court, and the Chief Water Judge. Benefits are established by state law and can only be amended by the Legislature. The JRS provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service and compensation. Member rights are vested after five years of service. A brief summary of eligibility and benefits is on the following page:

JRS Summary of Benefits

Member's current salary[1] or highest average compensation (HAC)[2]
[1]Hired prior to July 1, 1997 and non-GABA prior to January 1, 1988 or December 1, 2005 — monthly compensation at time of retirement;
[2]Hired after June 30, 1997 or electing GABA prior to January 1, 1988 or December 1, 2005 — HAC during any consecutive 36 months

Eligibility for benefit
Age 60, 5 years of membership service;
Any age with 5 years of membership service — involuntary termination, actuarially reduced

Vesting 5 years of membership service

Monthly benefit formula
3-1/3% of current salary[1] (non-GABA) OR HAC[2] (GABA) per year of service credit for the first 15 years, plus 1.785% per year for each year after 15 years.

Guaranteed Annual Benefit Adjustment (GABA)
Hired after July 1, 1997, or those electing GABA — after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3.0% each January, inclusive of all other adjustments to the member's benefit.

Minimum benefit adjustment (non-GABA)
Hired prior to July 1, 1997 — current salary of an active member in same position is used in the calculation of the monthly benefit each time the Legislature increases salaries for active judges.

At June 30, 2008 JRS had one participating employer, the same as FY2007. The participating employer consists of:

JRS EMPLOYERS

Employer	June 30, 2008	June 30, 2007
State Agency — Supreme Court	1	1
Total	1	1

Contributions: Member and employer contribution rates are established by state law and may be amended only by the Legislature. The member contribution rate for fiscal year 2008 was 7.0% of the member's monthly compensation. Contributions are deducted from each member's salary and remitted by the participating employer. An individual account is established for each member's contributions and interest allocations until a retirement or refund request is processed.

As the employer, the State contributed 25.81% of the total JRS-covered payroll to the retirement plan during fiscal year 2008. (Reference Schedule of Contribution Rates on page 73).

JRS Active Membership by Employee Type		
Employee Type	June 30, 2008	June 30, 2007
GABA	37	37
Non-GABA	14	14
Total	51	51

Highway Patrol Officers' Retirement System (HPORS)

Plan Description: The HPORS is a single-employer, defined benefit plan established July 1, 1971, and governed by Title 19, chapters 2 & 6 of the MCA. This system provides retirement benefits to all members of the Montana Highway Patrol, including supervisory personnel. Benefits are established by state law and can only be amended by the Legislature. The HPORS provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service and highest average compensation. Member rights are vested after five years of service. A brief summary of eligibility and benefits follows:

HPORS Summary of Benefits

Member's highest average compensation (HAC)
Highest average compensation during any consecutive 36 months

Eligibility for benefit
20 years of membership service, regardless of age

Early Retirement
5 years of membership service, actuarially reduced from age 60

Vesting 5 years of membership service

Monthly benefit formula
2.5% of HAC per year of service credit

Guaranteed Annual Benefit Adjustment (GABA)
Hired after July 1, 1997, or those electing GABA — after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3.0% each January, inclusive of all other adjustments to the member's benefit.

Minimum benefit adjustment (non-GABA)
Hired prior to July 1, 1997 — monthly benefits for non-GABA members are increased each July when they fall below a statutorily guaranteed minimum. Any annual increase is limited to 5% over the current benefit and may not exceed 60% of the current base salary of a probationary officer.

At June 30, 2008 HPORS had one participating employer, the same as FY2007. The participating employer consists of:

HPORS EMPLOYERS

Employer	June 30, 2008	June 30, 2007
State Agency — Department of Justice	1	1
Total	1	1

Contributions: Member and employer contribution rates are established by state law and may be amended only by the Legislature. The member contribution rate for fiscal year 2008 is 9.05% of the member's total compensation if hired after June 30, 1997 or for members electing GABA, and 9.0% for those members hired prior to July 1, 1997 and not electing GABA (all active members hired prior to July 1, 1997 have elected GABA). Contributions are deducted from each member's salary and remitted by the participating employer. An individual account is established for each member's contributions and interest allocations until a retirement or refund request is processed.

As the employer, the State contributed 36.33% of the total HPORS-covered payroll during fiscal year 2008. The first 26.15% is payable from the same source used to pay members' compensation. The remaining amount, equal to 10.18%, is payable from a portion of the fees collected from drivers' license and duplicate drivers' license applications. (Reference Schedule of Contribution Rates on page 73).

HPORS Active Membership by Employee Type

Employee Type	June 30, 2008	June 30, 2007
GABA	212	204
Non-GABA	0	0
Total	212	204

Additional Service Purchase Due to a Reduction in Force: Section 19-2-706, MCA related to the Employee Protection Act allows state and university system employees who are eligible for a service retirement and whose positions have been eliminated to have their employer pay a portion of the total cost of purchasing up to three years of "1-for-5" additional service. The employer has up to ten years to complete payment for the service purchases and is charged 8% interest on the unpaid balance. No employees have taken advantage of this provision to date.

Supplemental Benefit for Retirees: Section 19-6-709, MCA provides eligible Montana highway patrol officers retired prior to July 1, 1991, or their survivors, an annual supplemental lump-sum payment distributed each September. This lump-sum payment is funded by registration fees requested by the PERB from the general fund. Factors impacting eligibility include the number of years the recipient has received a service retirement benefit or disability benefit, the recipient's age, and whether the recipient is employed in a position covered by a retirement system under Title 19. The average annual supplemental payment for non-GABA retirees was $2,596 in September 2008.

Sheriffs' Retirement System (SRS)

Plan Description: The SRS is a multiple-employer, cost-sharing defined benefit plan established July 1, 1974, and governed by Title 19, chapters 2 & 7, MCA. This plan provides retirement benefits to all Department of Justice criminal and gambling investigators hired after July 1, 1993, all detention officers hired after July 1, 2005, and to all Montana sheriffs. Benefits are established by state law and can only be amended by the Legislature. The SRS provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service and highest average compensation. Member rights are vested after five years of service. A brief summary of eligibility and benefits follows:

SRS Summary of Benefits

Member's highest average compensation (HAC)
Highest average compensation during any consecutive 36 months

Eligibility for benefit
20 years of membership service, regardless of age

Early Retirement
Age 50, 5 years of membership service, actuarially reduced

Vesting 5 years of membership service

Monthly benefit formula
2.5% of HAC per year of service credit

Guaranteed Annual Benefit Adjustment (GABA)
After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit

- 3.0% for members hired before July 1, 2007
- 1.5% for members hired on or after July 1, 2007

At June 30, 2008 SRS had 57 participating employers, the same as FY2007. The participating employers consist of:

SRS EMPLOYERS

Employers	June 30, 2008	June 30, 2007
State Agencies — Department of Justice	1	1
Counties	56	56
Total	57	57

Contributions: Member and employer contribution rates are established by state law and may be amended only by the Legislature. The member contribution rate for fiscal year 2008 was 9.245% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. An individual account is established for each member's contributions and interest allocations until a retirement or refund request is processed.

Effective July 1, 2007, each employer contributed 9.825% of total SRS-covered payroll to the retirement plan during fiscal year 2008. This is an increase of 0.29% from fiscal year 2007. (Reference Schedule of Contribution Rates on page 73).

SRS Active Membership by Employer Type

Employer Type	June 30, 2008	June 30, 2007
Dept of Justice	46	43
Counties	1,063	1,033
Total	1,109	1,076

Additional Service Purchase Due to a Reduction in Force: Section 19-2-706, MCA related to the Employee Protection Act allows state employees who are eligible for a service retirement and whose positions have been eliminated to have their employer pay a portion of the total cost of purchasing up to three years of "1-for-5" additional service. The employer has up to ten years to complete payment for the service purchases and is charged 8% interest on the unpaid balance. Three employees have taken advantage of this provision to date.

Actuarial Status: The statutory funding rate is tested in the valuation to determine if it is sufficient to cover the Normal Cost Rate plus an amortization payment of the Unfunded Actuarial Liability, if any, over no more than 30 years. Based on the current Actuarial Value of Assets and all future experience emerging as assumed, the Unfunded Actuarial Liability will be amortized over the next 16.3 years. This amortization period does not reflect the sunset provisions for the additional contributions under section 19-7-404, MCA. Without the additional contributions effective July 1, 2007 and July 1, 2009, the amortization period for the Unfunded Actuarial Liability would be 26.6 years.

Game Wardens' and Peace Officers' Retirement System (GWPORS)

Plan Description: The GWPORS is a multiple-employer, cost-sharing defined benefit plan established in 1963 and governed by Title 19, chapters 2 & 8, MCA. This system provides retirement benefits to all persons employed as a game warden, warden supervisory personnel, or state peace officer. Benefits are established by state law and can only be amended by the Legislature. The GWPORS provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service and highest average compensation. Member rights are vested after five years of service. A brief summary of eligibility and benefits follows on top of the next page:

GWPORS Summary of Benefits

Member's highest average compensation (HAC)
Highest average compensation during any consecutive 36 months

Eligibility for benefit
Age 50, 20 years of membership service

Early Retirement
Age 55, 5 years of membership service

Vesting 5 years of membership service

Monthly benefit formula
2.5% of HAC per year of service credit

Guaranteed Annual Benefit Adjustment (GABA)
After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit

- 3.0% for members hired before July 1, 2007
- 1.5% for members hired on or after July 1, 2007

At June 30, 2008 GWPORS had seven participating employers, the same as FY2007. The participating employers consist of:

GWPORS EMPLOYERS

Employers	June 30, 2008	June 30, 2007
State Agencies	4	4
Colleges and Universities	3	3
Total	7	7

Contributions: Member and employer contribution rates are established by state law and may be amended only by the Legislature. The member contribution rate for fiscal year 2008 was 10.56% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. An individual account is established for each member's contributions and interest allocations until a retirement or refund request is processed.

Each state agency and university employer contributed 9.0% of total GWPORS-covered payroll to the retirement plan during fiscal year 2008. (Reference Schedule of Contribution Rates on page 73).

GWPORS Active Membership by Employer		
Employer	June 30, 2008	June 30, 2007
Dept of Corrections	634	575
Dept FW&P	104	106
Dept of Livestock	30	28
Dept of Trans.	89	80
Universities	28	32
Total	885	821

Additional Service Purchase Due to a Reduction in Force: Section 19-2-706, MCA related to the Employee Protection Act allows state and university system employees who are eligible for a service retirement and whose positions have been eliminated to have their employer pay a portion of the total cost of purchasing up to three years of "1-for-5" additional service. The employer has up to ten years to complete payment for the service purchases and is charged 8% interest on the unpaid balance. No employees have taken advantage of this provision to date.

Municipal Police Officers' Retirement System (MPORS)

Plan Description: The MPORS is a multiple employer, cost-sharing defined benefit plan established in 1974 and is governed by Title 19, chapters 2 & 9 of the MCA. This plan covers all municipal police officers employed by first- and second-class cities and other cities that adopt the plan. Benefits are established by state law and can only be amended by the Legislature. The MPORS provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service and compensation. Member rights for death and disability are vested immediately. All other rights are vested after five years of service. A brief summary of eligibility and benefits follows:

MPORS Summary of Benefits

Member's final average compensation (FAC)
Hired prior to July 1, 1977 — average monthly compensation of final year of service;
Hired after June 30, 1977 — final average compensation (FAC) for last consecutive 36 months

Eligibility for benefit
20 years of membership service, regardless of age

Early Retirement
Age 50, 5 years of membership service

Vesting 5 years of membership service

Monthly benefit formula
2.5% of FAC per year of service credit

(Summary of Benefits continued on top of next page)

MPORS Summary of Benefits continued

Guaranteed Annual Benefit Adjustment (GABA)
Hired after June 1, 1997, or those electing GABA — after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3.0% each January, inclusive of all other adjustments to the member's benefit.

Minimum benefit adjustment (non-GABA)
If hired before July 1, 1997 and member did not elect GABA, the monthly retirement, disability or survivor's benefit may not be less than ½ the compensation of a newly confirmed officer in the city where the member was last employed.

At June 30, 2008 MPORS had 27 participating employers, four more than FY2007. The participating employers consist of:

MPORS EMPLOYERS

Employers	June 30, 2008	June 30, 2007
Cities and Towns	27	23
Total	27	23

Contributions: Member and employer contribution rates are established by state law and may be amended only by the Legislature. Member contribution rates are dependent upon date of hire as a police officer. For fiscal year 2008, member contributions as a percentage of salary were 5.8% if employed on or before June 30, 1975; 7.0% if employed after June 30, 1975 and prior to July 1, 1979; 8.5% if employed after June 30, 1979 and prior to July 1, 1997; and, 9.0% if employed on or after July 1, 1997 and for members electing GABA. Contributions are deducted from each member's salary and remitted by participating employers. An individual account is established for each member's contributions and interest allocations until a retirement or refund request is processed.

Employer contributions to the retirement plan are 14.41% of total MPORS-covered payroll.

The State contributions are requested at the beginning of the fiscal year based on the previous fiscal year compensation and are due no later than November 1. The State's contribution rate for fiscal year 2008 was 29.37%. (Reference Schedule of Contribution Rates on page 73).

MPORS Active Membership by Employee Type

Employee Type	June 30, 2008	June 30, 2007
GABA	664	630
Non-GABA	9	10
Total	673	640

Deferred Retirement Option Plan (DROP): Beginning July 2002, eligible members of MPORS can participate in the DROP by filing a one-time irrevocable election with the PERB. The DROP is governed by Title 19, chapter 9, part 12, MCA. A member must have completed at least twenty years of membership service to be eligible. They may elect to participate in the DROP for a minimum of one month and a maximum of 60 months and may participate in the DROP only once. A participant remains a member of the MPORS, but will not receive membership service or service credit in the system for the duration of the member's DROP period. During the participation in the DROP, all mandatory contributions continue to the retirement system. A monthly benefit is calculated based on salary and years of service to date of the beginning of the DROP period. The monthly benefit is paid into the members' DROP account until the end of the DROP period. At the end of the DROP period, the participant may receive the balance of the DROP account in a lump-sum payment or in a direct rollover to another eligible plan, as allowed by the IRS. If the participant continues employment after the DROP period ends, they will again accrue membership service and service credit. The DROP account cannot be distributed until employment is formally terminated. As of June 30, 2008, a total of 65 members have participated in the DROP.

DROP Participation

	6/30/2008	6/30/2007
Participants Beginning of Year	44	41
Participants Added	4	9
Completed DROP	19	5
Participants End of Year	29	45
DROP Distributions	$3,777,214	$540,772

Firefighters' Unified Retirement System (FURS)

Plan Description: The FURS is a multiple-employer, cost-sharing defined benefit plan established in 1981, and governed by Title 19, chapters 2 & 13, MCA. This system provides retirement benefits to firefighters employed by first- and second-class cities, other cities and rural fire district departments that adopt the plan, and to firefighters hired by the Montana Air National Guard (MANG) on or after October 1, 2001. Benefits are established by state law and can only be amended by the Legislature. The FURS provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service and compensation. Member rights are vested after five years of service. A brief summary of eligibility and benefits follows on top of the next page:

FURS Summary of Benefits

Member's compensation
Hired prior to July 1, 1981 and not electing GABA — highest monthly compensation (HMC); Hired after June 30, 1981 and those electing GABA — highest average compensation (HAC) during any consecutive 36 months

Eligibility for benefit
20 years of membership service, regardless of age

Early Retirement
Age 50, 5 years of membership service

Vesting 5 years of membership service

Monthly benefit formula
Members hired prior to July 1, 1981 and not electing GABA are entitled to the greater of:
2.5% of HAC per year of service; OR
i) if less than 20 years of service —
2% of HMC for each year of service;
ii) if more than 20 years of service —
50% of the member's HMC plus 2% of the member's HMC for each year of service over 20 years
Members hired after June 30, 1981 and those electing GABA:
2.5% of HAC per year of service

Guaranteed Annual Benefit Adjustment (GABA)
Hired after July 1, 1997, or those electing GABA — after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3.0% each January, inclusive of all other adjustments to the member's benefit.

Minimum benefit adjustment (non-GABA)
If hired before July 1, 1997 and member did not elect GABA, the monthly retirement, disability or survivor's benefit may not be less than ½ the compensation of a newly confirmed firefighter employed by the city that last employed the member (provided the member has at least ten years of service credit).

At June 30, 2008 FURS had 19 participating employers, two more than in FY2007. The participating employers consist of:

FURS EMPLOYERS		
Employers	June 30, 2008	June 30, 2007
State Agencies - Department of Military Affairs	1	1
Cities	16	16
Other - Rural Fire Districts	2	0
Total	19	17

Contributions: Member and employer contribution rates are established by state law and may be amended only by the Legislature. The member contribution rates for fiscal year 2008 are 9.5% for members hired prior to July 1, 1997 and not electing GABA coverage, and 10.7% for members hired after June 30, 1997 and members electing GABA coverage. Contributions are deducted from each member's salary and remitted by participating employers. An individual account is established for each member's contributions and interest allocations until a retirement or refund request is processed.

Employer contribution rates for fiscal year 2008 were 14.36% of the total FURS-covered payroll.

The State contribution was 32.61% of total compensation for all covered firefighters in fiscal year 2008. State contributions are requested at the beginning of each fiscal year based on previous fiscal year salary and are due no later than November 1. (Reference Schedule of Contribution Rates on page 73).

FURS Active Membership by Employee Type		
Employee Type	June 30, 2008	June 30, 2007
GABA	519	474
Non-GABA	6	6
Total	525	480

Additional Service Purchase Due to a Reduction in Force: Section 19-2-706, MCA related to the Employee Protection Act allows state and university system employees who are eligible for a service retirement and whose positions have been eliminated to have their employer pay a portion of the total cost of purchasing up to three years of "1-for-5" additional service. The employer has up to ten years to complete payment for the service purchases and is charged 8% interest on the unpaid balance. No employees have taken advantage of this provision to date.

Volunteer Firefighters' Compensation Act (VFCA)

Plan Description: The VFCA is a statewide retirement and disability plan. This compensation plan was established in 1965 and is governed by Title 19, chapter 17, MCA. All members are unpaid volunteers and the State of Montana is the only contributor to the plan. Benefits are established by state law and can only be amended by the Legislature. The VFCA provides pension, disability and survivorship benefits for all volunteer firefighters who are members of qualified volunteer fire companies in unincorporated areas, towns or villages and includes volunteer fire departments, fire districts, and fire service areas under the laws of the State of Montana. Benefits are based on eligibility and years of service. Member rights are vested after ten years of credited service. VFCA also provides limited benefits for death or injuries incurred in the line of duty.

A member that chooses to retire and draw a pension benefit may return to service with the volunteer fire department without loss of benefits. A returning retired member may not be considered an active member accruing service credit.

A brief summary of eligibility and benefits follows:

VFCA Summary of Benefits

Eligibility for benefit
Age 55, 20 years of service credit;
Age 60, 10 years of service credit.

Additional Benefit
Members who retire after April 25, 2005 and have greater than 20 years of service credit (with a maximum of 30 years) may receive additional benefits (maximum benefit $225).

Vesting 10 years of service credit

Monthly benefit formula
$7.50 per year of service credit, maximum benefit $225 (no more than 30 years).

Contributions: The State is the only contributor to the VFCA. Contributions are 5% of fire insurance premium taxes collected on certain fire risks. The State Auditor makes annual payments to the Volunteer Firefighters' Compensation Act fund. (Reference Schedule of Contribution Rates on page 73).

Group Insurance Payments: Supplemental payments are available to qualified volunteer fire companies that provide additional group medical insurance for their members in case of death or injury incurred while in the line of duty. The payment is made to the volunteer fire companies and is equal to $75 per year for each mobile firefighting unit owned by the volunteer fire company, up to a maximum of two units.

Public Employees' Retirement System-DCRP (PERS-DCRP)

Plan Description: The PERS Defined Contribution Retirement Plan (DCRP) is a multiple employer plan established July 1, 2002 and governed by Title 19, chapters 2 & 3, MCA. This plan is available to eligible employees of the State, university system, local governments and school districts. All new PERS members are members of the PERS-DBRP. They have a 12-month window during which they may choose to transfer to the

PERS-DCRP or remain in the PERS-DBRP. The choice is irrevocable. Members may not be members of both the PERS-DCRP and PERS-DBRP retirement plans. The PERS-DCRP provides retirement, disability and death benefits to participants and their beneficiaries. Contribution rates can only be amended by the Legislature. Benefits are based on eligibility and account balance.

The investment options offered are selected by the PERB in compliance with their Investment Policy Statement and with the assistance of the statutorily-created Employee Investment Advisory Council and the advice of a third-party consultant. Participants of the PERS-DCRP direct their contributions and a portion of their employer's contributions among the offered investment options. The remaining portion of their employer's contributions is used to reduce the Plan Choice Rate unfunded actuarial liability, to fund the long-term disability benefits to participants of the DCRP and to fund an employee education program. Participants may invest in any or all of the offered options and transfer between options on a daily basis, if desired.

The offered investment options fall into two primary types: (1) the fixed investment option and (2) the variable investment options. The variable investment options include mutual funds and bond funds and range from aggressive to conservative. The mutual funds cover all standard asset classes and categories. The investment options as of June 30, 2008 are as follows:

<u>PERS-DCRP Investment Options</u>

International Stock Funds
American Funds New Perspective
SSGA International Growth Opportunities
Oakmark International
Barclay's Global Equity Index

Small Company Stock Funds
Manager AMG Essex
Vanguard Small Cap Index Adm
Hotchkis & Wiley Small Cap Value

Mid-Sized Company Stock Funds
Munder Mid-Cap Select
Janus Mid Cap Value Investors

Large Company Stock Funds
American Funds Growth Fund A
Vanguard Equity-Income Adm
Vanguard Growth & Income Adm

Balanced Funds
Vanguard Balanced Index

Bond Funds
Vanguard Total Bond Market Index

Fixed Investment Options
DCRP Fixed Fund

Fixed investment: The fixed investment option guarantees both principal (the deferred salary) and a quarterly rate of return. The fixed investment option requires the services of two external providers who were selected through the State's competitive bidding process. The external providers are Aegon and Pacific Investment Management Company (PIMCO). Aegon, the insurance wrapper, provides a guarantee of principal and sets a quarterly rate of return based upon the investment manager's portfolio yield and duration. PIMCO, the investment manager, invests the assets in a PIMCO mutual fund.

Administrative expenses and revenues that fund them are accounted for within the plan. Expenses for the DCRP can generally be classified as 1) administrative (including miscellaneous) or 2) investment management. Following is a summary of revenues and expenses:

Administrative funding: PERB's administrative fee is a basis point (or percent) fee based on account balances. On a quarterly basis, the record keeper, Great West Retirement Services (Great West), withholds the basis point fee from each plan participant's account and submits the remainder to the PERB after paying Great West fees. They are recorded as *Miscelleanous Revenue.*

Recordkeeping fees: The record keeper, Great West, charges a set administrative fee to all plan participants. On a quarterly basis, the fees are withheld from each plan participant's account.

Fixed investment fees: Fees on the fixed investments are charged by each of the providers, PIMCO and Aegon. The fees are defined per each contract for specific services. The fixed investment credited rate is declared net of expenses.

The fees charged by PIMCO are held in a mutual fund and the income is net of fees, thus are not presented in the financial statements. Because the fees charged by Aegon are explicit and not net from assets, they are classified as *Administrative Expense.*

Mutual fund/variable investments: All of the variable investments have investment management fees; some may have additional administrative fees. These fees are not presented on the financial statements. Mutual fund earnings are declared net of all expenses, both investment management and administrative, in accordance with the Securities and Exchange Commission and other regulatory authorities. Current reporting standards for mutual fund companies do not require costs to be made available in the detailed cost reports.

A brief summary of eligibility and benefits follows:

PERS-DCRP Summary of Benefits

Eligibility for Benefit
Termination of service

Vesting
Immediate for participant's contributions and attributable income;
5 years of membership service for the employer's contributions to individual accounts and attributable income.

Benefit
Dependent upon individual account balance;
Various payout options available, including: taxable lump sums, periodic payments per participant direction and IRS permitted rollovers.

Contributions: Member and employer contribution rates are established by state law and may be amended only by the Legislature. The member contribution rate for fiscal year 2008 was 6.9% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. The entire amount of the member's contribution is credited to the individual account which is maintained by the record keeper.

Each state agency and university system employer contributed 7.035% of PERS-covered payroll during fiscal year 2008. This was increased from 6.9% in fiscal year 2007. Participating local governments employers contribute 6.935% of PERS-covered payroll during fiscal year 2008, an increase of 0.135% from fiscal year 2007. The State contributes the remaining 0.1% for local governments from the state general fund. School district employers contribute 6.8%, while the State contributes the remaining 0.235%. (Reference Schedule of Contribution Rates on page 73).

The employer rate of 7.035% is allocated as follows: 4.19% allocated to the member's retirement account, 2.505% allocated to the defined benefit plan choice rate, 0.04% allocated to defined contribution education fund and 0.3% allocated to the long-term disability plan.

PERS-DCRP Active Membership by Employer Type

Employer Type	June 30, 2008	June 30, 2007
State Agencies	809	695
Counties	322	290
Cities	236	206
Universities	77	70
High Schools	2	3
School Districts	202	181
Other Agencies	121	118
Total	1,769	1,563

Plan Membership Elections: Included in the financial statements are employer contribution transfers of $24,000 and member contribution transfers of $39,000. These transfers reflect the contribution transfers of DCRP participants that filed elections at or near the June 30 cutoff date but the contributions were moved in early fiscal year 2009.

DCRP Education Fund: Implemented July 1, 2002, the DCRP Education Fund (DCEd), as governed by section 19-3-112, MCA, was established to provide funding for the required education programs for the members who have joined the PERS-DCRP. The DCEd was funded by 0.04% of the employers' contributions in fiscal year 2008.

DCRP Disability Fund: Implemented July 1, 2002, the DCRP Disability Fund (DC Disability), as governed by section 19-3-2117, MCA, will provide disability benefits to eligible members who have joined the PERS-DCRP. The DC Disability was funded by 0.3% of the employers' contribution.

At June 30, 2008 PERS-DCRP had 241 reporting employers, four more than in FY2007. The participating employers consist of:

PERS-DCRP EMPLOYERS

Employers	June 30, 2008	June 30, 2007
State Agencies	28	28
Counties	42	43
Cities and Towns	42	43
Universities	4	5
School Districts	84	81
High Schools	2	3
Other Agencies	31	34
Total	233	237

Deferred Compensation Plan (457)

Plan Description: The Deferred Compensation (457) Plan is a voluntary supplemental retirement savings plan established in 1976. The Deferred Compensation plan is governed by Title 19, chapter 50, MCA, in accordance with Internal Revenue Service Code (IRC) §457. All employees of the State, the Montana University System and contracting political subdivisions are eligible to participate.

Assets of the Deferred Compensation plan are required to be held in trusts, custodial accounts or insurance company contracts for the exclusive benefit of participants and their beneficiaries. The record keeper for the plan is Great West Retirement Services (Great West). Participants elect to defer a portion of their salary, within Internal Revenue Code limits. The deferred salary is not available to employees until separation from service, retirement, death, or upon an unforeseeable emergency while still employed, provided IRS-specified criteria are met.

Plan participants direct their deferred salary among the offered investment options. The investment options offered are selected by the PERB in compliance with their Investment Policy Statement and with the assistance of the statutorily-created Employee Investment Advisory Council and the advice of a third-party consultant. Participants may invest in all of the offered options and transfer between options on a daily basis, if desired.

The offered investment options fall into two primary types: (1) the fixed investment option and (2) the variable investment options. The variable investment options include mutual funds, bond funds and asset allocation funds. All options range from aggressive to conservative. The mutual funds cover all standard asset classes and categories. The asset allocation funds are preset funds that invest in underlying mutual funds to achieve a set investment objective. The investment options as of June 30, 2008 are as follows:

<u>Deferred Compensation (457) Plan</u>
<u>Investment Options</u>

International Stock Funds
Artisan International
Mutual Discovery Z
Dodge & Cox International
American Funds New Perspective

Small Company Stock Funds
Neuberger Berman Genesis
Manager AMG Essex
Munder Small Cap Value

Mid-Sized Company Stock Funds
Munder Mid-cap Select
Vanquard Small Cap Index
Hotchkis & Wiley Mid-cap Value

Large Company Stock Funds
Davis NY Venture A
Fidelity Contrafund
Vanguard 500 Index
Calvert Social Investors

Balanced Funds
Dodge & Cox Balanced

Bond Funds
Lehman Brothers High Income
PIMCO Total Return Admin

Fixed Investment Options
Montana Fixed Fund

Asset Allocation Funds
Moderately Aggressive
Moderate
Conservative

In addition to the investments listed, plan participants previously had the option to direct a portion of their deferrals to a term life insurance policy provided through Allianz Life Insurance. The ability to invest in life insurance is allowed under the IRC and was offered to plan participants prior to life insurance being offered as a standard component of health insurance benefit packages. This investment option has been discontinued; however, plan participants who had previously elected this option may continue.

Fixed investment: The fixed investment option guarantees both principal (the deferred salary) and a quarterly rate of return. The fixed investment option requires the services of three external providers who were selected through the State's competitive bidding process. The external providers are Aegon, Pacific Investment Management Company (PIMCO) and State Street Bank Kansas City (SSKC). Aegon, the insurance wrapper, provides a guarantee of principal and sets a quarterly rate of return based upon the investment manager's portfolio yield and duration. PIMCO, the investment manager, directs the investment of the assets. Assets are invested in accordance with established guidelines for credit quality, duration and issue concentration. SSKC is PIMCO's custodial bank and holder of the assets. SSKC exchanges the assets as directed by PIMCO.

Administrative expenses and the revenues that fund them are accounted for within the plan. Expenses for the Deferred Compensation plan can generally be classified as 1) administrative (including miscellaneous) or 2) investment management.

Following is a summary of all expenses:

Administrative funding: The PERB receives 12(b)(1) or re-allotment fees from certain mutual fund companies. These fees are normally charged by the mutual funds for the purpose of individual record keeping or marketing. Because the mutual fund companies involved in the Deferred Compensation plan do not need to keep records of participants' accounts and do not market the plan, the fees are returned to the PERB. The PERB uses 12 (b)(1) fees to pay administrative expenses associated with the Deferred Compensation plan. These amounts are recorded as *Miscellaneous Revenue*.

Record keeping fees: The record keeper, Great West Retirement Services (Great West), charges a set administrative fee to all plan participants. On a quarterly basis, the fees are withheld from each plan participant's account.

Fixed investment fees: Fees on the fixed investments are charged by each of the three providers, PIMCO, SSKC and Aegon. The fees are defined per each contract for specific services. The fixed investment credited rate is declared net of expenses.

The fees charged by PIMCO and SSKC for the externally managed fixed investments are classified as *Investment Expense*. Because the fees charged by Aegon are explicit and not net from assets, they are classified as *Administrative Expense.*

Mutual fund/variable investments fees: All of the variable investments have investment management fees; some may have additional administrative fees. These fees are not presented on the financial statements. Mutual fund earnings are declared net of expenses, both investment management and administrative, in accordance with the Securities Exchange Commission and other regulatory authorities. Current reporting standards for mutual companies do not require costs to be made available in the detailed cost reports.

A brief summary of eligibility and benefits follows:

Deferred Compensation Plan Summary

Contribution
Voluntary, tax-deferred

Eligibility of Benefit
Not available to participant until separation from service, retirement, death, or upon an unforeseeable emergency, while still employed, provided IRS-specified criteria are met.

Vesting
Participants are fully vested in their accounts at the time of crediting

Benefit
Lump sum or periodic benefit payment, at the option of the participant. Based on individual account balances and plan provisions. IRS permitted rollovers are also possible.

At June 30, 2008 the deferred compensation plan had 17 participating employers, an increase of one from FY 2007. The participating employers consist of:

DEFERRED COMPENSATION EMPLOYERS

Employers	June 30, 2008	June 30, 2007
State of Montana *	1	1
Counties	2	2
Colleges and Universities	6	6
School Districts	2	2
Cities	3	2
Other	3	3
Total	17	16

*The State of Montana includes 34 agencies; however, due to the nature of the reporting for the 457 plan we are unable to specifically determine which agencies participate.

Contributions: The deferred compensation plan is a voluntary, tax-deferred retirement plan designed to supplement retirement, Social Security and other retirement plans and savings. Participants designate the amount to contribute within IRC limitations.

FY 2008 Schedule of Contribution Rates

System	Member	Employer	State
PERS-DBRP	**6.9%** [19-3-315, MCA]	**7.035%** State & University **6.935%** Local Governments **6.8%** School Districts (K-12) [19-3-316, MCA]	**0.1%** of local government payroll – paid from the General Fund **0.235%** School Districts (K-12) payroll – paid from the General Fund [19-3-319, MCA]
PERS-DCRP	**6.9%** [19-3-315, MCA]	**7.035%** State & University **6.935%** Local Governments **6.8**% School Districts (K-12) [19-3-316, MCA]	**0.1%** of local government payroll – paid from the General Fund **0.235**% School Districts (K-12) payroll – paid from the General Fund [19-3-319, MCA]
JRS	**7.0%** [19-5-402, MCA]	**25.81%** [19-5-404, MCA]	
HPORS	**9.0%** - hired prior to 7-01-97 & not electing GABA **9.05%** - hired after 6-30-97 & members electing GABA [19-6-402, MCA]	**26.15%** [19-6-404(1), MCA] **10.18%** of salaries – paid from the General Fund [19-6-404(2), MCA]	
SRS	**9.245%** [19-7-403, MCA]	**9.825%** [19-7-404, MCA]	
GWPORS	**10.56%** [19-8-502, MCA]	**9.0%** [19-8-504, MCA]	
MPORS	**5.8%** - hired on or before 6-30-75 & not electing GABA [19-9-710(a), MCA] **7.0%** - hired after 6-30-75 & prior to 7-1-79 & not electing GABA [19-9-710(b), MCA] **8.5%** - hired after 6-30-79 and prior to 7-1-97 & not electing GABA [19-9-710(c), MCA] **9.0%** - hired after 6-30-97 & members electing GABA [19-9-710(d), MCA & 19-9-710(2), MCA]	**14.41%** [19-9-703, MCA]	**29.37%** of salaries – paid from the General Fund [19-9-702, MCA]
FURS	**9.5%** - hired prior to 7-1-97 & not electing GABA [19-13-601(2)(a), MCA] **10.7%** - hired after 06-30-97 & members electing GABA [19-13-601(2)(b), MCA]	**14.36%** [19-13-605, MCA]	**32.61%** of salaries – paid from the General Fund [19-13-604, MCA]
VFCA			**5.0%** of fire insurance premiums, paid from the General Fund [19-17-301, MCA]

Public Employees' Retirement Board

A Component Unit of the State of Montana

Required Supplementary Information

Schedule of Funding Progress

(in thousands)

System	Actuarial Valuation Date	Actuarial Value of Assets* (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio % (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
PERS-DBRP	06/30/04[1]	$ 3,047,287	$ 3,514,085	$ 466,798	86.72	$ 832,847	56.05
	06/30/05	3,179,010	3,719,998	540,988	85.46	847,431	63.84
	06/30/06	3,459,084	3,919,313	460,229	88.26	880,708	52.26
	06/30/07	3,825,234	4,201,251	376,017	91.05	907,424	41.44
	06/30/08	**4,065,307**	**4,504,743**	**439,436**	**90.25**	**955,113**	**46.01**
JRS	06/30/04[1]	45,134	34,724	(10,410)	129.98	4,403	-236.43
	06/30/05	47,552	34,525	(13,027)	137.73	4,462	-291.95
	06/30/06	51,808	37,159	(14,649)	139.42	4,762	-307.62
	06/30/07	57,778	36,863	(20,915)	156.74	4,841	-432.04
	06/30/08	**62,040**	**39,435**	**(22,605)**	**157.32**	**5,096**	**-443.58**
HPORS	06/30/04[1]	79,104	104,069	24,965	76.01	7,844	318.27
	06/30/05	82,050	112,938	30,888	72.65	9,104	339.28
	06/30/06	87,189	112,002	24,813	77.85	7,878	314.97
	06/30/07	95,758	128,306	32,548	74.63	9,858	330.17
	06/30/08	**101,500**	**134,683**	**33,183**	**75.36**	**10,866**	**305.38**
SRS	06/30/04[1]	141,022	148,608	7,586	94.90	27,373	27.71
	06/30/05	148,458	159,347	10,889	93.17	28,423	38.31
	06/30/06	163,003	171,841	8,838	94.86	34,242	25.81
	06/30/07	183,894	189,036	5,142	97.28	43,611	11.79
	06/30/08	**199,453**	**204,549**	**5,096**	**97.51**	**47,196**	**10.80**

Analysis of the dollar amounts of plan net assets, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing plan net assets as a percentage of the actuarial accrued liability provides one indication of the plan's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the plan is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan.

[1] The Actuarial Valuation information for FY03 is included in the FY04 information.

*Refer to the "Notes to the Required Supplementary Information" for the Actuarial Asset Valuation Method (Page 80).

System	Actuarial Valuation Date	Actuarial Value of Assets* (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio % (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
GWPORS	06/30/04[1]	$ 45,210	$ 50,310	$ 5,100	89.86	$ 21,442	23.79
	06/30/05	50,961	56,414	5,453	90.33	22,496	24.24
	06/30/06	58,813	64,183	5,370	91.63	25,846	20.78
	06/30/07	68,755	72,992	4,237	94.20	28,799	14.71
	06/30/08	**77,511**	**83,449**	**5,938**	**92.88**	**32,365**	**18.35**
MPORS	06/30/04[1]	149,510	260,094	110,584	57.48	24,531	450.79
	06/30/05	159,417	276,379	116,962	57.68	26,198	446.45
	06/30/06	175,919	291,099	115,180	60.43	27,644	416.65
	06/30/07	198,310	310,423	112,113	63.88	29,547	379.44
	06/30/08	**212,312**	**327,556**	**115,244**	**64.82**	**32,181**	**358.11**
FURS	06/30/04[1]	142,109	227,599	85,490	62.44	20,248	422.21
	06/30/05	151,393	238,157	86,764	63.57	20,474	423.78
	06/30/06	167,343	255,513	88,170	65.49	22,917	384.74
	06/30/07	188,545	269,399	80,854	69.99	24,250	333.42
	06/30/08	**206,127**	**287,218**	**81,091**	**71.77**	**29,158**	**278.11**
VFCA	06/30/04[1]	20,058	28,680	8,622	69.94	N/A	N/A
	06/30/05	21,311	30,773	9,462	69.25	N/A	N/A
	06/30/06	23,238	31,883	8,645	72.89	N/A	N/A
	06/30/07	25,862	31,599	5,737	81.84	N/A	N/A
	06/30/08	**27,544**	**32,735**	**5,191**	**84.14**	**N/A**	**N/A**

Covered payroll is not applicable to VFCA because members are unpaid volunteers.

Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

Public Employees' Retirement Board

A Component Unit of the State of Montana

Required Supplementary Information

Schedule of Funding Progress for OPEB

(in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio % (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2008	$ -	$ 1,048	$ 1,048	0.00	$ 1,326	79.03%

Projected unit credit funding method

This schedule shows only information for the most recent, completed fiscal year which is the fiscal year ended June 30, 2008. Since 2008 is the OPEB reporting implementation year and year of transition, there is not two years' previous information available to report as required by Governmental Accounting Standards Board Statement 45.

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Public Employees' Retirement Board

A Component Unit of the State of Montana

Required Supplementary Information
Schedule of Employer Contributions & Other Contributing Entities

System	Year Ended June 30	Annual Required Contributions	Actuarial Required Contribution Rate[1]	Percentage Contributed	Annual Required State Contribution [2]	Percentage Contributed
PERS-DBRP	2003	$ 58,573,696	6.90	98.16	$ 388,954	100.00
	2004	67,044,215	8.05	86.20	402,566	100.00
	2005	71,523,156	8.44	82.06	420,658	100.00
	2006	69,311,689	7.87	91.54	442,994	100.00
	2007	60,252,960	6.64	110.41	445,798	100.00
	2008	**65,425,225**	**6.85**	**110.42**	**377,713**	**100.00**
JRS	2003	816,691	20.03	128.86		
	2004	304,277	6.91	373.52		
	2005	143,222	3.21	811.43		
	2006	112,854	2.37	1,089.03		
	2007	(230,425)	(4.76)	(542.23)		
	2008	**(274,152)**	**(5.38)**	**(479.74)**		
HPORS	2003	2,836,992	36.33	101.02	353,589	100.00
	2004	2,849,545	36.33	100.32	348,137	100.00
	2005	3,307,439	36.33	100.50	668,748	100.00
	2006	2,862,188	36.33	101.50	277,178	100.00
	2007	3,581,499	36.33	101.48	284,631	100.00
	2008	**3,947,723**	**36.33**	**100.03**	**289,515**	**100.00**
SRS	2003	2,435,269	9.54	102.70		
	2004	3,198,485	11.69	84.57		
	2005	3,474,750	12.23	80.95		
	2006	3,896,731	11.38	90.42		
	2007	4,175,763	9.58	105.04		
	2008	**4,443,543**	**9.42**	**108.78**		

Refer to the "Notes to the Required Supplementary Information" (Page 80).

This schedule was revised in FY2005 to reflect the actuarially calculated ARC rather than the statutory rate that was previously used.

[1] The Annual Required Contribution for FY03 is based on prior year-end actuarial study.

[2] The Annual Required Contribution for HPORS includes the required registration fees; and for MPORS and FURS is based on covered payroll, which includes payroll adjustments.

System	Year Ended June 30	Annual Required Contributions	Actuarial Required Contribution Rate[1]	Percentage Contributed	Annual Required State Contribution [2]	Percentage Contributed
GWPORS	2003	$ 2,055,590	10.26	89.28		
	2004	1,979,117	9.23	102.12		
	2005	2,083,154	9.26	98.58		
	2006	2,336,515	9.04	102.34		
	2007	2,217,558	7.70	118.94		
	2008	**2,540,673**	**7.85**	**117.23**		
MPORS	2003	3,355,991	14.41	104.89	6,840,073	99.39
	2004	3,534,920	14.41	102.68	7,204,760	100.05
	2005	3,775,191	14.41	100.41	7,694,474	100.14
	2006	3,983,471	14.41	101.30	8,118,982	100.77
	2007	4,258,134	14.41	100.58	8,678,793	100.00
	2008	**4,637,223**	**14.41**	**111.19**	**9,451,808**	**100.00**
FURS	2003	2,672,133	14.36	106.04	6,068,123	98.98
	2004	2,876,584	14.36	100.09	6,532,410	100.00
	2005	2,940,092	14.36	100.65	6,676,629	100.63
	2006	3,290,840	14.36	101.14	7,473,141	100.80
	2007	3,482,288	14.36	101.09	7,907,898	100.63
	2008	**4,187,118**	**14.36**	**106.68**	**9,568,388**	**100.63**
VFCA	2003				1,310,088	100.00
	2004				1,434,068	100.00
	2005				1,527,264	100.00
	2006				1,610,462	100.00
	2007				1,660,695	100.00
	2008				**1,562,019**	**100.00**

Notes to the Required Supplementary Information

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of latest actuarial valuation follows:

	PERS-DBRP	JRS	HPORS
Valuation date	June 30, 2008	June 30, 2008	June 30, 2008
Actuarial cost method	Entry Age	Entry Age	Entry Age
Amortization method	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, open
Remaining amortization period in years:			
Unfunded Liability	24.8 [2]		17.4
Unfunded Credit [1]		30	
Asset valuation method	4-Year smoothed market	4-Year smoothed market	4-Year smoothed market
Actuarial assumptions:			
Investment rate of return compounded annually	8%	8%	8%
Projected salary increases			
General Wage Growth*	4.25%	4.25%	4.25%
Merit	0% - 6%	None	0% - 7.3%
* includes inflation rate at	3.25%	3.25%	3.25%
Benefit Adjustments			
GABA	3% or 1.5% for new hires on or after July 1, 2007, after 1 year	3% after 1 yr	3% after 1 yr
Non-GABA	N/A	Biennial increase to salary of active member in like position	2% per yr service, not to exceed 5%, for probationary officer's base pay

[1] Assets are larger than the past service liability – creating an unfunded credit; the credit is amortized over future costs and the amortization period may not exceed 30 years.

[2] Does not reflect HB131 Sunset Provisions. Without additional HB131 contributions the amortization period would be 29.0 years.

[3] Does not reflect HB131 Sunset Provisions. Without additional HB131 contribuitons the amortization period would be 26.6 years.

SRS	GWPORS	MPORS	FURS	VFCA
June 30, 2008	June 30, 2008	June 30, 2008	June 30, 2008	June 30, 2008
Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of revenue, open
16.3 [3]	13	18.6	11.3	5 Based on Current Revenue
4-Year smoothed market	4-Year smoothed market	4-Year smoothed market	4-Year smoothed market	4-Year smoothed market
8%	8%	8%	8%	8%
4.25% 0% - 7.3% 3.25%	4.25% 0% - 7.3% 3.25%	4.25% 0% - 7.3% 3.25%	4.25% 0% - 7.3% 3.25%	N/A N/A N/A
3% or 1.5% for new hires on or after July 1, 2007, after 1 year	3% or 1.5% for new hires on or after July 1, 2007, after 1 year	3% after 1 yr	3% after 1 yr	N/A
N/A	N/A	50% newly confirmed officer	50% newly confirmed officer	N/A

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Public Employees' Retirement Board

A Component Unit of the State of Montana

Schedule of Administrative Expenses

Year Ended June 30, 2008

	Defined Benefit Plans	PERS-DBRP Education Fund	Defined Contribution PERS-DCRP	Deferred Compensation 457 Plan
Personal Services				
Salaries	$ 1,190,179	$ 79,952	$ 99,278	$ 74,187
Board Members' Per Diem	6,532		580	438
Employee Benefits	377,085	26,550	32,229	23,714
Total Personal Services	1,573,796	106,502	132,087	98,339
Other Services				
Consulting Services	312,441	52	49,746	57,477
Legal Fees and Court Costs	3,545		57	27
Payroll Fees	7,300	527	547	372
Audit Fees	36,869		2,004	1,202
Medical Services	9,682			
Records Storage	8,707		10,352	5,061
Pre-Retirement Seminars		2,000		
Computer Processing	326,550	2,369	665	2,002
Printing and Photocopy Charges	27,290	25,461	9,339	3,011
Warrant Writing Services	52,721		2,865	1,719
Other	8,154	588	611	415
Total Other Services	793,259	30,997	76,186	71,286
Communications				
Recruitment Costs	6,306	181	420	235
Postage and Mailing	77,351	13,960	1,118	3,568
Telephone	21,917	2,116	1,641	1,116
Total Communications	105,574	16,257	3,179	4,919
Other Expenses				
Supplies and Materials	54,899	2,080	4,858	3,206
Travel	29,446	7,823	5,497	4,870
Rent	199,635	17,855	14,945	10,163
Repairs and Maintenance	1,066	77	80	54
Depreciation/Amortization	75,242	137	1,132	45,834
Compensated Absences	19,854	(3,551)	605	(2,695)
Interest Payments			5	3
Miscellaneous	66,896	3,104	7,381	4,665
Total Other Expenses	447,038	27,525	34,503	66,100
Total Administrative Expenses	**$ 2,919,667**	**$ 181,281**	**$ 245,955**	**$ 240,644**

Public Employees' Retirement Board

A Component Unit of the State of Montana

Schedule of Investment Expenses

Year Ended June 30, 2008

Plan	Investment Manager	Fees
PERS-DBRP	Board of Investments	$ 19,840,557
JRS	Board of Investments	298,695
HPORS	Board of Investments	494,967
SRS	Board of Investments	948,738
GWPORS	Board of Investments	361,310
MPORS	Board of Investments	993,467
FURS	Board of Investments	950,094
VFCA	Board of Investments	129,131
457	PIMCO	491,554
	State Street Bank	75,127
Total Investment Expense		**$ 24,583,640**

Public Employees' Retirement Board

A Component Unit of the State of Montana

Schedule of Consultants

Year Ended June 30, 2008

Individual or Firm	Nature of Service	Amount Paid
AMDEC Software	Computer Programming Services	$ 360,210
Wilshire Associates Inc	Mutual Funds Performance Review	81,210
Milliman	Actuarial Consultant	69,308
Ice Miller	Tax Consultant	60,563
Legislative Audit Division, Legislative Branch	Independent Auditors	40,075
Lawrence R. McEvoy, MD	Medical Consultant	3,335
Robert N. Mitgang, MD	Medical Consultant	3,257
Professional Development Center, Department of Administration	Retirement Planning Seminars	2,000
Legal Services Division, Department of Justice	Legal Services	1,901

Public Employees' Retirement Board

A Component Unit of the State of Montana

Detail of Fiduciary Net Assets (PERS-DBRP and PERS-DBEd)
as of June 30, 2008

	PERS-DBRP	PERS-DBEd	TOTAL
Assets			
Cash and Short-term Investments	$ 43,007,981	$ 1,511,808	$ 44,519,789
Securities Lending Collateral	234,448,622	72,805	234,521,427
Receivables			
Interest	9,439,521	3,201	9,442,722
Accounts Receivable	1,247,079	15	1,247,094
Due from Other Funds	319,909	1,147	321,056
Due from Primary Government	27,670		27,670
Notes Receivable	68,933		68,933
Total Receivables	11,103,112	4,363	11,107,475
Investments, at fair value			
Montana Domestic Equity Pool (MDEP)	1,494,306,280		1,494,306,280
Retirement Fund Bond Pool (RFBP)	988,124,279		988,124,279
Montana International Pool (MTIP)	730,360,282		730,360,282
Montana Private Equity Pool (MPEP)	376,614,837		376,614,837
Montana Real Estate Pool (MTRP)	164,667,259		164,667,259
Real Estate Investments	8,931,057		8,931,057
Mortgages & Commercial Loans net of Accumulated Mortgage Discount	31,837,233		31,837,233
Structured Investment Vehicles (SIV)	4,305,771	154,860	4,460,631
Total Investments	3,799,146,998	154,860	3,799,301,858
Capital Assets			
Property and Equipment, at cost, net of Accumulated Depreciation	513		513
Intangible Assets, at cost, net of Amortization Expense	280,883	159	281,042
Total Capital Assets	281,396	159	281,555
Total Assets	4,087,988,109	1,743,995	4,089,732,104
Liabilities			
Securities Lending Collateral Liability	234,448,622	72,805	234,521,427
Accounts Payable	437,022	6,682	443,704
Due to Other Funds	160,059	653	160,712
Due to Primary Government	35,366	1,669	37,035
Deferred Revenue	68,255		68,255
OPEB Implicit Rate Subsidy LT	66,210	5,450	71,660
Compensated Absences	240,315	12,917	253,232
Total Liabilities	235,455,849	100,176	235,556,025
Net Assets Held in Trust for Pension Benefits	**$ 3,852,532,260**	**$ 1,643,819**	**$ 3,854,176,079**

Public Employees' Retirement Board

A Component Unit of the State of Montana

Detail of Changes in Fiduciary Net Assets (PERS-DBRP and PERS-DBEd)

for the Fiscal Year Ended June 30, 2008

	PERS-DBRP	PERS-DBEd	TOTAL
Additions			
Contributions			
Employer	$ 71,851,003	$ 390,780	$ 72,241,783
Plan Member	72,680,187		72,680,187
Membership Fees	108		108
Interest Reserve Buyback	193,509		193,509
Retirement Incentive Program	27,709		27,709
Miscellaneous Revenue	97	96	193
State Contributions	377,713		377,713
Total Contributions	145,130,326	390,876	145,521,202
Investment Income			
Net Appreciation (Depreciation) in Fair Value of Investments	(291,944,581)		(291,944,581)
Interest	97,211,733	62,002	97,273,735
Dividends	15,230,409		15,230,409
Investment Expense	(19,840,557)		(19,840,557)
Net Investment Income	(199,342,996)	62,002	(199,280,994)
Securities Lending Income			
Securities Lending Income	12,312,452	1,997	12,314,449
Securities Lending Rebate and Fees	(10,061,940)	(1,563)	(10,063,503)
Net Securities Lending Income	2,250,512	434	2,250,946
Total Net Investment Income	(197,092,484)	62,436	(197,030,048)
Total Additions	(51,962,158)	453,312	(51,508,846)
Deductions			
Benefits	180,815,238		180,815,238
Refunds/Distributions	12,123,478		12,123,478
Refunds to Other Plans	659,578		659,578
Transfers to DCRP	1,076,716		1,076,716
Transfers to ORP	249,583		249,583
OPEB Expenses	66,210	5,450	71,660
Administrative Expenses	2,579,102	181,281	2,760,383
Total Deductions	197,569,905	186,731	197,756,636
Net Increase (Decrease)	(249,532,063)	266,581	(249,265,482)
Net Assets Held in Trust for Pension Benefits			
Beginning of Year	**4,102,059,822**	**1,377,238**	**4,103,437,060**
Prior Period Adjusment	**4,501**		**4,501**
End of Year	**$ 3,852,532,260**	**$ 1,643,819**	**$ 3,854,176,079**

Public Employees' Retirement Board

A Component Unit of the State of Montana

Detail of Fiduciary Net Assets (PERS-DCRP, PERS-DCEd and PERS-DC Disability)

as of June 30, 2008

	PERS-DCRP	PERS-DCEd	PERS-DC DISABILITY	TOTAL
Assets				
Cash and Short-term Investments	$ 1,127,144	$ 104,834	$ 822,413	$ 2,054,391
Receivables				
Interest	1,925	220	1,737	3,882
Accounts Receivables	15			15
Due from Other Funds	157,202	653	4,185	162,040
Cash Collateral - SI	43,644	5,050	39,719	88,413
Total Receivables	202,786	5,923	45,641	254,350
Investments, at fair value				
Defined Contributions Fixed Investments	3,128,370			3,128,370
Defined Contributions Variable Investments	39,622,234			39,622,234
Structured Investment Vehicles (SIV)	92,832	10,742	84,485	188,059
Total Investments	42,843,436	10,742	84,485	42,938,663
Intangible Assets, at cost,				
net of Amortization Expense	4,099			4,099
Total Assets	44,177,465	121,499	952,539	45,251,503
Liabilities				
Accounts Payable	198,258	358		198,616
Due to Other Funds	226	1,192		1,418
Due to Primary Government	1,535	5		1,540
Compensated Absences	13,665	1,341		15,006
Securities Lending Collateral Liability	43,644	5,050	39,719	88,413
OPEB Implicit Rate Subisidy LT	6,391	146		6,537
Total Liabilities	263,719	8,092	39,719	311,530
Net Assets Held in Trust for Pension Benefits	**$ 43,913,746**	**$ 113,407**	**$ 912,820**	**$ 44,939,973**

Public Employees' Retirement Board

A Component Unit of the State of Montana

Detail of Changes in Fiduciary Net Assets (PERS-DCRP, PERS-DCEd and PERS-DC Disability)

for the Fiscal Year Ended June 30, 2008

	PERS-DCRP	PERS-DCEd	PERS-DC DISABILITY	TOTAL
Additions				
Contributions				
Employer	$ 3,007,089	$ 35,396	$ 212,372	$ 3,254,857
Plan Member	5,117,841			5,117,841
Miscellaneous Revenue	216,499			216,499
Forfeiture of Nonvested Member	337,633			337,633
Total Contributions	8,679,062	35,396	212,372	8,926,830
Investment Income				
Net Appreciation (Depreciation)				
in Fair Value of Investments	(5,319,796)			(5,319,796)
Interest	2,296,252	3,974	31,614	2,331,840
Net Investment Income	(3,023,544)	3,974	31,614	(2,987,956)
Securities Lending Income				
Securities Lending Income	1,050	128	1,018	2,196
Securities Lending Rebate and Fees	(821)	(100)	(797)	(1,718)
Net Securities Lending Income	229	28	221	478
Total Net Investment Income	(3,023,315)	4,002	31,835	(2,987,478)
Total Additions	5,655,747	39,398	244,207	5,939,352
Deductions				
Distributions	2,519,019			2,519,019
OPEB Expensee	6,391	146		6,537
Administrative Expenses	238,315	7,640		245,955
Miscellaneous Expenses	216,313			216,313
Total Deductions	2,980,038	7,786		2,987,824
Net Increase (Decrease)	2,675,709	31,612	244,207	2,951,528
Net Assets Held in Trust for Pension Benefits				
Beginning of Year	**41,238,037**	**81,795**	**668,613**	**41,988,445**
Prior Period Adjustment				-
End of Year	**$ 43,913,746**	**$ 113,407**	**$ 912,820**	**$ 44,939,973**